

REPUBLIC OF KENYA



*Enhancing Accountability*

THE NATIONAL ASSEMBLY  
PAPERS LAID

**REPORT**

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DATE: 12 JUN 2024 Wednesday

TABLED BY:	Deputy Majority Leader Hon. Owen Baya, MP
CLERK AT THE TABLE:	Minim Mudo

**OF**

**THE AUDITOR-GENERAL**

**ON**

**KENYA PORTS AUTHORITY**

**FOR THE YEAR ENDED  
30 JUNE, 2023**



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# **KENYA PORTS AUTHORITY**

## **ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

**"WORLD-CLASS PORTS OF CHOICE"**

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**Prepared in accordance with the accrual basis of accounting under  
the International Financial Reporting Standards (IFRSs)**

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**ACRONYMS AND GLOSSARY OF TERMS**

|          |                                             |
|----------|---------------------------------------------|
| AD       | Alternate Director                          |
| AG       | Attorney General                            |
| Ag.      | Acting                                      |
| Amb.     | Ambassador                                  |
| C        | Chairman                                    |
| CBS      | Chief of Burning Spear                      |
| CDI      | Community Directed Investment               |
| CIRT     | Computer Incident Response Team             |
| CoK 2010 | Constitution of Kenya 2010                  |
| CT2      | Second Container Terminal                   |
| D        | Director                                    |
| DB       | Defined Benefit                             |
| DC       | Defined Contribution                        |
| DNS      | Domain Name System                          |
| DWT      | Dead Weight Tonnage                         |
| EAP      | Employee Assisted Program                   |
| EGH      | Elder of the Order of the Golden Heart      |
| EXCOM    | Executive Management Committee              |
| FVOCI    | Future Value Through Comprehensive Income   |
| FVTPL    | Future Value Through Profit & Loss          |
| Gen.     | General                                     |
| GM       | General Manager                             |
| GoK      | Government of Kenya                         |
| HOMS     | Home Ownership Mortgage Scheme              |
| IAOs     | Integrity Assurance Officers                |
| ICDK     | Inland Container Depot Kisumu               |
| ICDN     | Inland Container Depot Nairobi              |
| ICT      | Information Communication Technology        |
| IFRSs    | International Financial Reporting Standards |
| IGSC     | International Green & Sustainable Computing |
| IMDG     | International Maritime Dangerous Goods      |
| ISPS     | International Ship & Port Facility Security |
| ISS      | Integrated Security System                  |
| JICA     | Japan International Cooperation Agency      |
| JPY      | Japanese Yen                                |
| KFS      | Kenya Ferry Services Ltd                    |
| KMA      | Kenya Maritime Authority                    |
| KOT      | Kipevu Oil Terminal                         |
| KRC      | Kenya Railways Cooperation                  |
| KTNL     | Kenya Transport & Logistics Network         |
| LAPSSET  | Lamu Port South Sudan Ethiopia Transport    |
| MD       | Managing Director                           |

**Acronyms and Glossary of Terms (Cont'd)**

|         |                                                                  |
|---------|------------------------------------------------------------------|
| MHC     | Mobile Harbor Crane                                              |
| MoH     | Ministry of Health                                               |
| MoRT    | Ministry of Road and Transport                                   |
| MOWASCO | Mombasa Water Supply & Sanitation Company                        |
| MPDP    | Mombasa Port Development Project                                 |
| MTGS.   | Meetings                                                         |
| NACADA  | National Authority for the Campaign Against Alcohol & Drug Abuse |
| NBV     | Net Book Value                                                   |
| NEMA    | National Environment Management Authority                        |
| NT      | National Treasury and Planning                                   |
| OSHA    | Occupational Safety and Health Act                               |
| PAT     | Profit After Tax                                                 |
| PBT     | Profit Before Tax                                                |
| PC      | Performance Contracting                                          |
| PFM Act | Public Finance Management Act                                    |
| PPE     | Property Plant & Equipment                                       |
| Rtd.    | Retired                                                          |
| SCAC    | State Corporations Advisory Committee                            |
| SDT     | State Department of Transport                                    |
| SPLY    | Same Period Last Year                                            |
| STS     | Ship to Shore                                                    |
| TEUs    | Twenty Foot Equivalent units                                     |
| TMEA    | TradeMark East Africa                                            |
| WIP     | Works in Progress                                                |

## **WHO WE ARE**

### **Establishment**

Kenya Ports Authority (KPA) is a statutory body under the Ministry of Roads and Transport. It was established by an Act of Parliament Cap 391 on 20<sup>th</sup> January 1978 with the mandate to develop, maintain, operate, improve, and regulate the Port of Mombasa, Port of Lamu and all other seaports along the Kenya coastline as well as ferry operations. In addition, the Authority manages Inland Waterways and Inland Container Depots at Embakasi, Naivasha, Eldoret and Kisumu in Kenya. At the cabinet level, the Authority is represented by the Cabinet Secretary for the Ministry of Roads and Transport. The Authority is domiciled in Kenya with liaison offices in Uganda, Rwanda, and Burundi.

### **Principal Activities**

KPA's mandate is to develop, maintain, operate, improve, and regulate the Port of Mombasa, Port of Lamu and all other scheduled seaports along Kenya's coastline as well as ferry operations. In addition, the Authority manages Inland Waterways and Inland Container Depots at Embakasi, Naivasha, Eldoret and Kisumu in Kenya. Core activities include;

- i. Pilotage
- ii. Towage
- iii. Mooring
- iv. Dockage
- v. Provision of navigational aids, and maintenance of the channel
- vi. Stevedoring and shore handling services: cargo handling services for containers, general cargo, dry bulk, and bulk liquid
- vii. Reception of cruise passengers
- viii. Storage of cargo awaiting onward shipment

### **Vision**

"World Class Ports of Choice"

### **Mission**

"To Provide Efficient and Competitive Port Services to Facilitate Global Trade"

KPA Strategy is focused on 4 (four) strategic themes.

#### **I. Operational Excellence**

- Having well-developed ICT systems that are integrated with other cargo-facilitating systems to transform our ports into e-ports
- Increasing productivity of our resources
- Increasing and modernizing our port(s) capacity
- Reducing operational costs
- 24/7 service

**WHO WE ARE (Cont'd)**

**II. Customer Service Excellence**

KPA is consistently delivering superior customer experience by;

- Enhanced effective customer relations and service programs
- Enhancing our regional presence and Knowledgeable, collaborative, consultative relationships that Meet customer expectations

**III. Business Growth**

KPA is focused on;

- Increasing throughput
- Growing market share
- Ensure financial stability and
- Ensuring strong partnerships

**IV. Good Governance**

KPA is undertaking the following strategic approaches;

- Compliance with international standards and guidelines, and all statutory laws and regulations
- Ensure social and environmental sustainability
- Building a strong, competent, cohesive, engaged, and multi-skilled workforce
- Promoting a performance culture that is guided by structured planning and enabling policies; accountability, transparency, responsiveness, equity, inclusiveness, effectiveness, efficiency, and participation
- Ensuring a conducive environment that promotes good work ethics and
- Ensuring structured enterprise risk management

**Strategic Objectives**

Improve port services

Improve customer satisfaction

Sustain business growth

Improve labour productivity

Enhance risk management and environmental sustainability

## AUTHORITY INFORMATION

## Directors

| Name                      | Position                       | Appointments/Exits                          |
|---------------------------|--------------------------------|---------------------------------------------|
| Hon. Benjamin D. Tayari   | Chairman                       | Appointed on 13 <sup>th</sup> January 2023  |
| Gen. (Rtd) Joseph Kibwana | Chairman                       | Retired on 23 <sup>rd</sup> January 2023    |
| Hon. Justin Mturi         | AG                             | Appointed 27 <sup>th</sup> September 2022   |
| Prof. Njuguna Ndungu      | CS, NT                         | Appointed 27 <sup>th</sup> September 2022   |
| Hon, Ukur Yatani          | CS, NT                         | Retired on 27 <sup>th</sup> September 2022  |
| Mr. Mohamed A. Daghar     | PS, SDT                        | Appointed 2 <sup>nd</sup> November 2022     |
| Dr. Eng. Joseph Njoroge   | PS, SDT                        | Retired on 2 <sup>nd</sup> November 2022    |
| Capt. William Ruto, AFNI  | MD                             | Appointed on 10 <sup>th</sup> March 2023    |
| Amb. John Mwangemi        | Ag. MD                         | Retired on 31 <sup>st</sup> March 2023      |
| Darius Mobe               | Director                       | Reappointed on 6 <sup>th</sup> October 2021 |
| Ms. Caroline N. Maina     | Director                       | Appointed on 23 <sup>rd</sup> January 2023  |
| Hon. Lucas Maitha         | Director                       | Appointed on 23 <sup>rd</sup> January 2023  |
| Mr. Emmanuel Kibet        | Director                       | Appointed on 23 <sup>rd</sup> January 2023  |
| Hon. Musa Osman Elmi      | Director                       | Appointed on 23 <sup>rd</sup> January 2023  |
| Dr. Consolata Lusweti     | Director                       | Appointed on 23 <sup>rd</sup> January 2023  |
| Mr. Stephen G. Gichuhi    | Director                       | Retired on 23 <sup>rd</sup> January 2023    |
| Ms. Lydia Yator           | Director                       | Retired on 23 <sup>rd</sup> January 2023    |
| Mr. Conrad Thorpe         | Director                       | Retired on 23 <sup>rd</sup> January 2023    |
| Mr. Farida Abdalla Sud    | Director                       | Retired on 23 <sup>rd</sup> January 2023    |
| Ms. Nilfat Kassim Ali     | Director                       | Retired on 23 <sup>rd</sup> January 2023    |
| Eng. Philip J. Mainga     | Director (KRC)                 |                                             |
| Brig. Alice Mate          | AD (AG)                        | Appointed on 23 <sup>rd</sup> January 2023  |
| Mr. Alex Mbuvi            | AD (MoRT)                      | Appointed on 20 <sup>th</sup> March 2023    |
| Prof. Dulacha G. Barako   | AD (NT)                        | Left on 23 <sup>rd</sup> January 2023       |
| Turasha Kinyanjui         | CS & GM Board & Legal Services |                                             |

**AUTHORITY INFORMATION (Cont'd.)**

**Corporate Secretary**

Turasha Kinyanjui  
Corporation Secretary & General Manager Legal Services  
Kenya Ports Authority Administration Block,  
P.O Box 95009-80104  
**Mombasa, Kenya**

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Administration Block, Kipevu  
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Mobile: +254-709092999, 709093999, 730653999  
Website: [www.kpa.co.ke](http://www.kpa.co.ke)  
**Mombasa, Kenya**

**Corporate Headquarters**

Administration Block, Kipevu  
P.O Box 95009-80104  
Telephone: +254-41-2112999,  
Mobile: +254-709092999,  
Website: [www.kpa.co.ke](http://www.kpa.co.ke)  
**Mombasa, Kenya**

**Corporate Contacts**

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[ca@kpa.co.ke](mailto:ca@kpa.co.ke)  
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+254709092999 (For calling)  
+254709093999  
+254730653999  
+254794272376 (Corruption Hotline)  
+254110921564 (Corruption Hotline)

**Independent Auditor**

Auditor General  
Office of The Auditor General  
Anniversary Towers, University way  
P.O. Box 30084-00100  
**Nairobi, Kenya**

**Principal Legal Adviser**

The Attorney General  
State Law Office  
Harambee Avenue  
P.O. Box 40112-00100  
**Nairobi, Kenya**

**Corporate Bankers:**

Central Bank of Kenya  
Haile Selassie Avenue  
P.O. Box 60000-00200  
**Nairobi, Kenya**

**Other Bankers;**

Citibank N. A  
Citibank House, Nkrumah Road  
P.O. Box 83615-80100  
**Mombasa, Kenya**

Equity Bank Ltd.  
UTC Building, Moi Avenue  
P.O. Box 84628-80100  
**Mombasa, Kenya**

National Bank of Kenya  
Portway House, Moi Avenue  
P.O. Box 87770-80100  
**Mombasa, Kenya**

Kenya Commercial Bank Ltd.  
Treasury Square Branch  
P.O. Box 90254-80100  
**Mombasa, Kenya**

Kenya Commercial Bank Ltd.  
Avenue Pierre NGENDANDUMWE  
P.O. Box 6119  
**Bujumbura, Burundi**

Stanbic Bank  
Stanbic Bank Centre, Westland Rd  
P.O Box 30550-00100  
**Nairobi, Kenya**

Stanbic Bank  
Crested Towers Plot 17, Hannington Rd  
P.O Box 7131  
**Kampala, Uganda**

**THE BOARD OF DIRECTORS**



**Hon. Benjamin Dalu Stephen Tayari**  
(born 1974)

He was appointed the Chairman of the Board of Directors with effect from 13th January 2023.

He holds a Bachelor of Arts Degree in Political Science from the University of Nairobi, an HBO bachelor's degree in Logistics Management from NCOI Hogeschool Utrecht, Netherlands, and a Diploma in Freight Forwarding, Warehousing, Maritime Transport and Shipping from the Bandari College. He is currently pursuing his Masters of Arts in International Relations from the University of Nairobi.

He is a former Member of Parliament (MP) for Kinango Constituency in the 12th Parliament (2017-2022) and has served as a member of the Departmental Committee on Environment and Natural Resources and the Implementation committee. He was voted the best MP in the Coast region for 2 years in a row for timely completion of CDF projects under his stewardship and efficient funds management.

Over the years, he has served in various other capacities such as Director, MD, Chief operations officer, Warehouse Manager, Warehouse coordinator, amongst others in the corporate world locally and internationally.



**Prof. Njuguna Ndung'u, CBS**  
**CS, National Treasury**  
(born 1967)

He was appointed Cabinet Secretary by President William Samoei Ruto on September 27, 2022. Prior to the current appointment, Prof. Ndung'u was serving as the Executive Director of the African Economic Research Consortium (AERC), a Pan African premier capacity building network of researchers, students, universities, policy makers and international resource persons. He is an associate professor of economics at the University of Nairobi, Kenya and the immediate former Governor, Central Bank of Kenya.

Prof. Ndung'u has been a member of the Global Advisory Council of the World Economic Forum, Visiting Fellow of Practice at Blavatnik School of Government, Oxford University, Director of Training at AERC, Program specialist at IDRC and Team Leader in Macro-modelling at the Kenya Institute for Public Policy Research and Analysis. He holds a PhD in economics from University of Gothenburg, Sweden. He is a Member of Brookings Africa Growth Initiative, Member of the Advisory Committee of the Alliance for Financial Inclusion, that coordinates financial inclusion policies in Africa, Asia and Latin America, and Senior Advisor for the UNCDF-based Better Than Cash Alliance.



**Mr. Mohamed Daghar**  
**Ps State Department of Transport**  
(born 1981)

He was appointed the Principal Secretary, State Department for Transport in the Ministry of Roads and Transport on 2nd November 2022. He is responsible for the Transport Policy formulation and execution, development of regulatory framework for transport sector, oversee implementation of various transport programmes and projects. As the PS in charge of Transport, he is a member of the Executive Committee of the Northern Corridor Transit and Transport Coordination Authority (NCTCA) and therefore he is responsible for all matters relating to NCTCA.

He is a holder of BA International Relations from United States International University, Kenya, Masters in Peace, Conflict and Development studies from Universitat Jaume I, Spain. He has wealth of experience in safety and security matters. During his tenure, he is expected to steer the State Department to successfully implement mass transit system in Nairobi, develop and improve airports and airstrips, seaport and inland water ports, Nairobi Railway City, the Standard Gauge Railway and multimodal transport corridors in addition to revitalisation of road transport services and safety among other projects of strategic national importance.

**THE BOARD OF DIRECTORS PROFILES (Cont'd)**



**Darius Mobe,**  
**(born 1978)**

He was re-appointed to the Board in October 2021.

He has Bachelor of Arts degree in Business Management (BABM) from University of Sunderland (UK).

He is the country Director (South Sudan) of Lukiza Group of Companies.

He has served as a franchise director of Punctureseal Sudan Ltd. (2007-2009), MD of Saphyre Onyx Investments (2006-2008), Harrow Wield Investments (2004-2006), amongst other positions.

He has excellent business acumen skills, leadership skills, an excellent Board room negotiator, amongst other key skills.



**Ms. Caroline N. Maina**  
**(born 1998)**

She was appointed to the board on 19th January 2023.

She has a Bachelor of Science in Human Resource Management from Jomo Kenyatta University of Agriculture & Technology, Nairobi. She is a Human Resource Consultant with Synergy Sphere Consultancy (January 2022 to date). She has previously served as a Business Development Manager at FFL Ventures (July 2022 - December 2022). She is an experienced Human Resources Director who actively chairs and a

member committee focused on strategy and operations, as well as audit and risk. She is a skilled business strategist, with deep understanding of organizational development and collaborative skills with NGOs, investors, and donors at large. Through her extensive career, she has honed expertise in research, market analysis, and organizational core competencies to drive company success. Her strong organizational and time management skills ensure that all business ventures are successful and that development is absolute.



**Dr. Consolata Lusweti**  
**(born 1978)**

She was appointed to the board on 19th January 2023.

She holds a PHD in Health Promotion from Masinde Muliro University, Masters in Community health and Development and Bsc Nursing degree from University of Eastern Africa Baraton.

Prior to her appointment, she worked as a lecturer, researcher, consultant and exam coordinator in Masinde Muliro University of Science and Technology, Community Health and management.

She has served as a Nursing Manager in various hospitals including Malava district hospital and Kakamega Provincial hospital.

She has excellent leadership skills, board room negotiator and business acumen skills amongst other key skills.

**THE BOARD OF DIRECTORS PROFILES (Cont'd)**



**Hon. Lucas Maitha**  
**(1968)**

He was appointed to the board on 19 January 2023.

He holds Master of Politics in international relations from University of Mumbai Bombay India and Bachelors degree (Economics) from Lucknow university India.

He has vast leadership skills having worked as chairman of betting Control and Licencing Board office of the Vice president and Chairman of Kenya Bureau of statistics (KEBS) in the ministry of industrialization and enterprise development.



**Emmanuel Kibet,**  
**(born 1991)**

He was appointed to the board on 19 January 2023.

He has Bachelor of Laws (LLB) from Moi University school of law and Advocates Training Programme (ATP) from the Kenya School of Law, Nairobi, Kenya. He has Bachelor of Laws (LLB) from Moi University school of law and Advocates Training Programme (ATP) from the Kenya School of Law, Nairobi, Kenya. He is an advocate of the High Court of Kenya. He is a Partner, H & K Law Advocates responsible for Litigation & Dispute Resolution Department in Civil & Commercial litigation, ADR (arbitration and mediation), employment & labour disputes, judicial reviews, constitutional petitions. He has been awarded and recognised as the most innovative start-up of the year for innovating Pronto-Legal, a web-based system that serves lawyers in the legal process, Certificate of Merit Award-2014, Moi University School of law for outstanding service to the University and First Place-Youth for Democracy Innovation Award 2012/2013 Constitutional Implementation Category (UNDP).



**Hon. Musa Osman**  
**(born 1985)**

He was appointed to the board on 19 January 2023.

He holds a Bachelor of Business Administration degree and is currently pursuing Bachelor of Arts degree at the University of Nairobi

He has extensive experience in working with both local & international firms in public-private partnerships (PPP) to implement the affordable housing project under the Big-Four program. He has also overseen successful implementation of Government projects in liaison with several Government agencies and development partners

He is a forward-thinking result-oriented person who possesses hands-on skills and solid knowledge of practical applications of project management policies and its various theoretical concepts to solve socio-economic challenges, with particular experience in project financing and budgeting, timely project management and implementation, procurement processes, and internal control mechanisms for construction projects and real estate developments

**THE BOARD OF DIRECTORS PROFILES (Cont'd)**



**Philip J. Mainga**  
**Managing Director KRC**  
**(born 1966)**

He holds Masters in Project Planning and Management (MAPM) from the University of Nairobi, a Master of Arts in Economics (M.A.) and a Bachelor of Arts (B.A.) both from University of Mysore, India. He also holds a certificate from Harvard University in Driving Government Performance. He is a member of Certified Finance Management for Project Managers (FMPM), Associate member MEGADEV Consultants and member Kenya Institute of Management (KIM).

Before being appointed the Acting MD, he was the GM Business and Operations, a role that covered the operations of the Madaraka Express, SGR Freight services and Estates management.

He has over 20 years in the Planning and Research profession and has worked in several capacities holding Corporate Planning and Research Manager Position.

Mr. Mainga is author of Economics and Ethics first edition 2010 - (Book), doing business in Kenya 2006 - Hand book (UNDP -Kenya).



**Capt. William K. Ruto, AFNI**  
**Managing Director**  
**(born 1968)**

He was appointed on 10th March 2023.

He holds a Master of Business Administration (MBA) Strategic Management option, from Jomo Kenyatta University of Agriculture and Technology (JKUAT).

The MD is a seasoned mariner who has practiced and worked both in private and public sector, where under private sector he worked at sea starting his career as a Cadet Marine Deck Officer from 1991 until December 1998 where he joined the Authority as a Deck Officer Trainee Pilot. He completed his seetime training as a master mariner and attained the highest qualification as a Ship Captain (Class 1 Master Mariner FG) from South Tynside College, School of Nautical Science - UK.

He is an Associate Fellow of the Nautical Institute (AFNI) and a Member of International Harbour Master's Association (IHMA - UK).

He has attended various local and international seminars and workshops on shipping, maritime, transport and logistics matters. He has done Port Security course at the University of Maryland (USA), IMO course on Port Management and Operations, in France - Port Le Havre France and several other short courses on port maritime and management.



**Turasha Kinyanjui**  
**CS & GM, Board and**  
**Legal Services**  
**(born 1972)**

He holds a Bachelor of Laws LLB degree from the University of Nairobi and a diploma from Kenya school of Law. He is an advocate of the High Court of Kenya and is a Certified Public Secretary Kenya, CPS (K) and a member of the Institute of Credit Management Kenya.

He is a former lecturer of School of Credit Management, a former Credit Officer at Co-operative Bank of Kenya and has also served as a legal officer at the same Bank, Industrial and Commercial Development Corporation (ICDC), Agricultural Finance Corporation (AFC).

He is the Board Secretary and oversees the Contracts & Conveyance department, Litigation & Disputes, Ethics & Integrity including Archives and Maritime Museum.

**KEY MANAGEMENT TEAM**

**•Managing Director**

- He holds a Master of Business Administration (MBA) Strategic Management option, from Jomo Kenyatta University of Agriculture and Technology (JKUAT).
- The MD is a seasoned mariner who has practiced and worked both in private and public sector, where under private sector he worked at sea starting his career as a Cadet Marine Deck Officer from 1991 until December 1998 where he joined the Authority as a Deck Officer Trainee Pilot. He completed his seetime training as a master mariner and attained the highest qualification as a Ship Captain (Class 1 Master Mariner FG) from South Tyndside College, School of Nautical Science - UK.
- He is an Associate Fellow of the Nautical Institute (AFNI) and a Member of International Harbour Master's Association (IHMA - UK).  
He has attended various local and international seminars and workshops on shipping, maritime, transport and logistics matters. He has done Port Security course at the University of Maryland (USA), IMO course on Port Management and Operations, in France - Port Le Havre France and several other short courses on port maritime and management.

**Capt. William K. Ruto,  
AFNI**



**•GM, Finance, Commercial & Insurance Services**

- He holds a Masters degree in Business Administration (MBA) from the University of Nairobi and a Bachelor of Arts Degree (Economics) from Kenyatta University. He is a Certified Public Accountant, CPA(K) and a member of the Institute of Certified Public Accountants of Kenya (ICPAK).
- He is responsible for Financial Accounting, Management Accounting, Commercial and Insurance services and Asset Management functions.

**CPA Geoffrey Kavate**



**•CS & GM, Board and Legal Services**

- He holds a Bachelor of laws LLB degree from the University of Nairobi and a diploma from Kenya school of Law. He is an advocate of the High Court of Kenya and is a Certified Public Secretary Kenya, CPS (K) and a member of the Institute of Credit Management Kenya.
- He is also a former lecturer of School of Credit Management, a former Credit Officer at Co-operative Bank of Kenya and has served as a legal officer at Co-operative Bank of Kenya, Industrial and Commercial Development Corporation (ICDC), Agricultural Finance Corporation(AFC)
- He is the Board Secretary and oversees the Contracts & Conveyance division, Litigation & Disputes, Ethics & Integrity including Archives and Maritime Museum.

**Turasha Kinyanjui**



**•GM, Cargo Operations**

- He Holds a PhD in Economics specialising in Maritime Economics from the Moi university in Eldoret, Kenya. He also has a Master of Science Degree in Maritime Affairs with a bias in Port Management from the World Maritime University in Malmo, Sweden. He has also attended the African Development Programme and studied Container Terminal Operations course at the University of Montana, School of Business Administration in the United States of America.
- His docket includes all operations in the Container Terminal, Conventional Cargo, Kenya Ports Inland Container Depots in Nairobi and Naivasha and Logistics with a focus on overseeing, development and implementation of port cargo operations strategies and policies.

**Dr. Sudi A.Mwasinago**



**KEY MANAGEMENT TEAM (Cont'd)**

**•GM, Lamu port**

- He holds a Master of Arts in Project Planning and Management from the University of Nairobi, a Bachelor of Science in Civil Engineering from the Jomo Kenyatta University of Agriculture and Technology. He also holds a Postgraduate in Program for Management Development from Strathmore University and Gordon Institute of Business Science, Diploma in Advanced Concrete Technology from the Institute of Concrete Technology in the UK and a Certificate in Concrete Technology from the Cement & Concrete Institute in South Africa. He's a Registered Consultant and Professional Civil Engineer with the Engineers Board of Kenya and a Fellow of the Institution of Engineers of Kenya.
- He has over Twenty-One (21) years of progressive professional experience in the construction industry, business planning and logistical management, corporate governance and has interpersonal skills gained through working with various organizations both in the public and corporate sector including but not limited to, Egis International / Kenya Consulting Engineers, Bamburi Cement Limited, Howard Humphreys East Africa Limited, Gibb Africa Limited and Norconsultant A.S. National Water Conservation and Pipeline Corporation.
- Eng. Sidai has also served as Members of the Board of the National Water Conservation and Pipeline Corporation and Joint Secretary, National Concrete Pavements Steering Committee – Kenya.
- He is in charge of the Lamu port project.

**Eng. Vincent S. Eseyepet**



**•GM, Shimoni Port**

- He holds Masters in Business Administration (MBA) from Eastern & Southern Africa Management Institute (ESAMI) TZ and Maastricht School of Management, Bachelors of Education Arts (Kenyatta University), Higher National Diploma in Human Resources Management – KNEC, Kisumu Polytechnic.
- He has undertaken various professional training in Strategic Leadership Program, Quality Management Systems (KBS), Kenya Labour laws(IHRM), Human Resources Management and Development (ESAMI), Diploma in Marketing (Institute of Commercial Management) and in Management (University of Witwatersrand Johannesburg).
- He has vast experience in HR profession having served in various Government Ministries in different capacities namely; at the Directorate of Personnel Management and Ministry of State for Provincial Administration and Internal Security as the Principal Human Resources Management Officer and went on to work for the Ministry of State for Public Service on the same capacity and later joined Agricultural Finance Corporation (AFC) as the General Manager Human Resources & Administration and most notably as a Commissioner and Vice Chair at the Salaries and Remuneration Commission (SRC).

**Daniel O. Ogutu, MBS, EBS**



**•GM, Supply Chain Management**

- She is a certified supply chain practitioner with a Masters degree in Science of Procurement and Logistics from Jomo Kenyatta University of Agriculture and Technology, a Post Graduate Diploma from the Chartered Institute of Purchasing and Supplies UK ( MCIPS) UK , and a Member of Kenya Institute of Purchasing and Supplies ( MKISM).
- Her Docket includes Supply Procurement & Contract management and Supply Chain management divisions.

**Eveline I. Shigoli**



**•GM, Corporate Services**

- He holds a Master of Business Administration and Bachelors of Commerce Degree (Marketing) both from the University of Nairobi, a postgraduate Diploma from the UK's Diageo Academy.
- He is in charge of Human resource, Administration, Medical Services, Marketing Cruise & Customer Services and ICT & Business Process Re-engineering.

**Edward Kamau**



**KEY MANAGEMENT TEAM (Cont'd)**

**•GM, Corporate Research, Planning and Compliance.**

- She holds an MSc Degree in Port Management from World Maritime University (WMU), Sweden and BSc in Math & Computer from JKUAT and SAP Consultant in Sales & Distribution Module. She holds a Diploma in Senior Port Management from Galilee College, Israel.
- She's a member of WOMESA (Association of Women in the Maritime Sector in Eastern and Southern Africa), former Chair of the Kenya Chapter between 2010 and 2016. First Woman Operations Manager of the Port Of Mombasa, both in Conventional and Container Operations, between 2008 and 2018.
- Her docket includes Corporate Research, Quality Assurance and Risk Management, and Safety, Health and Environment divisions.

**Evelyn U. Mwamure**



**•Ag. GM, Engineering Services**

- He holds a Master of Business Administration in Strategic Management from the University of Nairobi (UoN) and Bachelor of Science in Mechanical Engineering (UoN).
- He is a member of the Institution of Engineering Technologists and Technicians of Kenya (IET-K). He is also a Graduate Member of the Institution of Engineers of Kenya and Engineers Board of Kenya.
- He has vast experience in port handling equipment maintenance and project management spanning over 23 years.
- The Engineering Services department includes Marine Engineering, Container Terminal Engineering, Conventional Cargo Engineering and Engineering Projects and Inspection divisions.

**Eng. Julius K. Tai,**



**•GM, Ferry Services**

- He holds a Bachelors degree in Education, a CPA (K), CPS (K) and also holds Diplomas in CIPS, IMIS and is currently pursuing an MBA.
- He is the immediate former MD of the defunct KFS Ltd. He has over fifteen years experience in Financial Management.
- He oversees the General Operations and Engineering services at the Ferry Services.

**Bakari Gowa**



**•GM, Infrastructure Development**

- He holds a Bachelors of Science degree in Civil Engineering from the University of Nairobi. He is a registered Engineer with the Engineers Registration Board of Kenya and a member of the Institute of Engineers of Kenya.
- His docket covers Civil Engineering, Project Development and Management and Port Electrical Engineering divisions.

**Eng. Abdullahi Samatar**



**KEY MANAGEMENT TEAM (Cont'd)**

**•Harbour Master and General Manager , Marine Operations**

- He holds a Master Mariner Certificate of Competency (Egypt). A career Naval Officer, he has wide-range experience in port operations including pilotage, naval operations, marine & cargo survey, aids to navigation, oil terminal operations, marine conservation and port consultancy. He is also a ISM 9001:2015 code certified trainer.
- His docket included Marine operations services including pilotage, hydrographics, marine pollution and fire and rescue services within the Harbour and small ports.

**Captain Geoffrey O. Namadoa**



**•GM, Internal Audit & Risk Assurance**

- He is a Certified Public Accountant (CPA- K) and a practicing member of the Institute of Certified Public Accountants Kenya (ICPAK).
- He is currently undertaking his PhD thesis in Business Administration (Finance Option) at the University of Nairobi. He has a Master's in Business Administration (Finance Option) and has a Bachelor of Commerce Degree (Accounting option). He is Certified Information Systems Auditor (CISA).
- He has over 25 years of professional experience in Auditing and Finance. He previously worked in PKF Audit firm. He also possesses a wealth of experience in risk management, corporate governance, ISO quality management systems implementations and information systems audit.

**Fredrick Oyugi**



**CHAIRMAN'S STATEMENT**



**CHAIRMAN'S STATEMENT (Cont'd)****Introduction**

It is with great pleasure that I present the Authority's Annual Report and Financial Statements for year ended 30 June 2023 as the Chairman to the Board of Directors in this first year of my appointment by his Excellency the President of the Republic of Kenya. The Kenyan economy exhibited resilience despite the economic slowdown experienced after the national elections in August 2022, the severe drought which ravaged the country in the second quarter of 2022 and the impact of the Russia - Ukraine conflict.

**Operational Performance**

During the FY 2022/23, the Port cumulatively handled total throughput of 34.464 million tons representing an increase of 0.845 million tons or 2.5% compared to 33.622 million tons handled in 2021/22. The performance was also below the forecasted target throughput of 34.635 million tons by 0.5%. Total container traffic improved to record 1.511 million TEUs during the period under review compared to 1.404 million TEUs handled in the same period in 2021/22, posting an increase of 107,000 TEUs or 7.6%. Transshipment containers declined by 12.2% from 211,534 TEUs in FY 2021/22 to 185,732 TEUs in FY2022/23. Transit traffic in contrast increased by 9.74% to record 10.451 million tons during the period under review compared to 9.523 million tons handled in the previous FY 2021/22. The performance of 2022-2023 reflects a recovery from the economic slowdown experienced after general elections in August 2022, the Russia-Ukraine conflict ripple effect on supply of major commodities and the impact of Covid-19 which resulted in lockdowns leading to supply chain disruptions with a surge in shipping freight charges which further exerted pressure in maritime trade.

**Dividends**

During the year under review, the Authority paid a special dividend of KES 1,745 million to the National Treasury. The Authority also paid arrears of dividends for the years 2018/2019 (KES 731 million), 2019/2020 (KES 277.8 million) and 2020/2021 (KES 587.9 million). The dividends for the financial year 2021/2022 of KES 576.4 million will be paid in the current financial year.

The directors recommend a dividend payout of KES 899.5 million which is 7.5% of the profit after tax for the financial year 2022/2023 to the National Treasury in line with the dividend policy.

**Corporate Social Investment**

The Authority is committed to supporting the Community where we operate to alleviate poverty and promote community development. CSI is an integral part of our business. 'Care' is one of our core values because we care for our staff, the communities around us and are sensitive to the environment within which we operate.

The Authority's CSI Policy is rooted in the Authority's values, guided by international standards and best practices that are driven by the spirit of excellence in overall performance of business.

The Authority's various CSI initiatives were aimed at impacting positively on the lives of communities within and beyond the Coast region. These CSI activities were mainly focused on sports, education services, religious initiatives, charity events, humanitarian Aid and relief, response to distress calls and various community projects.

### **CHAIRMAN'S STATEMENT (Cont'd)**

The Authority takes keen interest in Environmental conservation. KPA planted 2,000 trees in degraded sites where the KES 2.1 billion Shimoni Fishing Port is being constructed in a bid to conserve the environment. The move is aimed at boosting the government's efforts to plant 15 billion trees by 2032 to mitigate climate change. The Authority has a full-fledged division handling environmental matters in all port facilities, guided by the KPA Green Port Policy. The aim of the Green Port Policy is to make the Port of Mombasa a leading world port in the sound stewardship and management of the environment affected by port operations and to continuously improve the environment for both the community and staff.

### **Giving Customers operational choice**

The Authority fully implemented the Government directive to allow customers freedom of nomination of cargo clearance point and evacuation mode. Customers can nominate to have their cargo cleared at Mombasa Port, Inland Containers depots or Container freight stations. Likewise, their cargo can be evacuated from the port by either trucks or rail depending on their convenience.

### **Supporting Government Initiatives**

During the period under review, the Authority implemented various Vision 2030 flagship projects including: Operationalization of Mombasa Port Development Project (MPDP) Phase II, New Kipevu Oil Terminal (KOT 2) and commenced construction of Shimoni port. Further, towards the development of Dongo Kundu Berth I, the Authority commenced compensation of Project Affected Persons (PAPs) and tendering for contractor for Civil Works and Equipment acquisition.

### **Looking Ahead**

The Authority continuously improves its services and invests in infrastructure development and capacity expansion programs to enhance capacity ahead of time, improve competitiveness and support the Government's development agenda. Among the initiatives undertaken during the financial year towards this objective include the Commissioning of the New KOT in August 2022 which is capable of discharging and backloading three larger petroleum tankers of up to 120,000 DWT (300Metres) simultaneously to facilitate the importation and exporting of six different hydrocarbon products, the development of the Special Economic ZONE (SEZ) at Dongo Kundu and procurement of quay, yard and marine equipment. This is focused on better placing the Authority to offer world class port services to its customers.

### **Conclusion**

Finally, I take this opportunity to appreciate my colleagues in the Board and the management team for their considerable contribution. I also commend staff for working tirelessly to achieve the level of business growth that we have witnessed despite the challenges experienced during the year. Equally, many thanks to the Government, our stakeholders, Customers and the community for their support. I am confident that we will continue to do our very best to attain and surpass the targets set for the new financial year. Let us remain united in our journey to world class ports of choice.

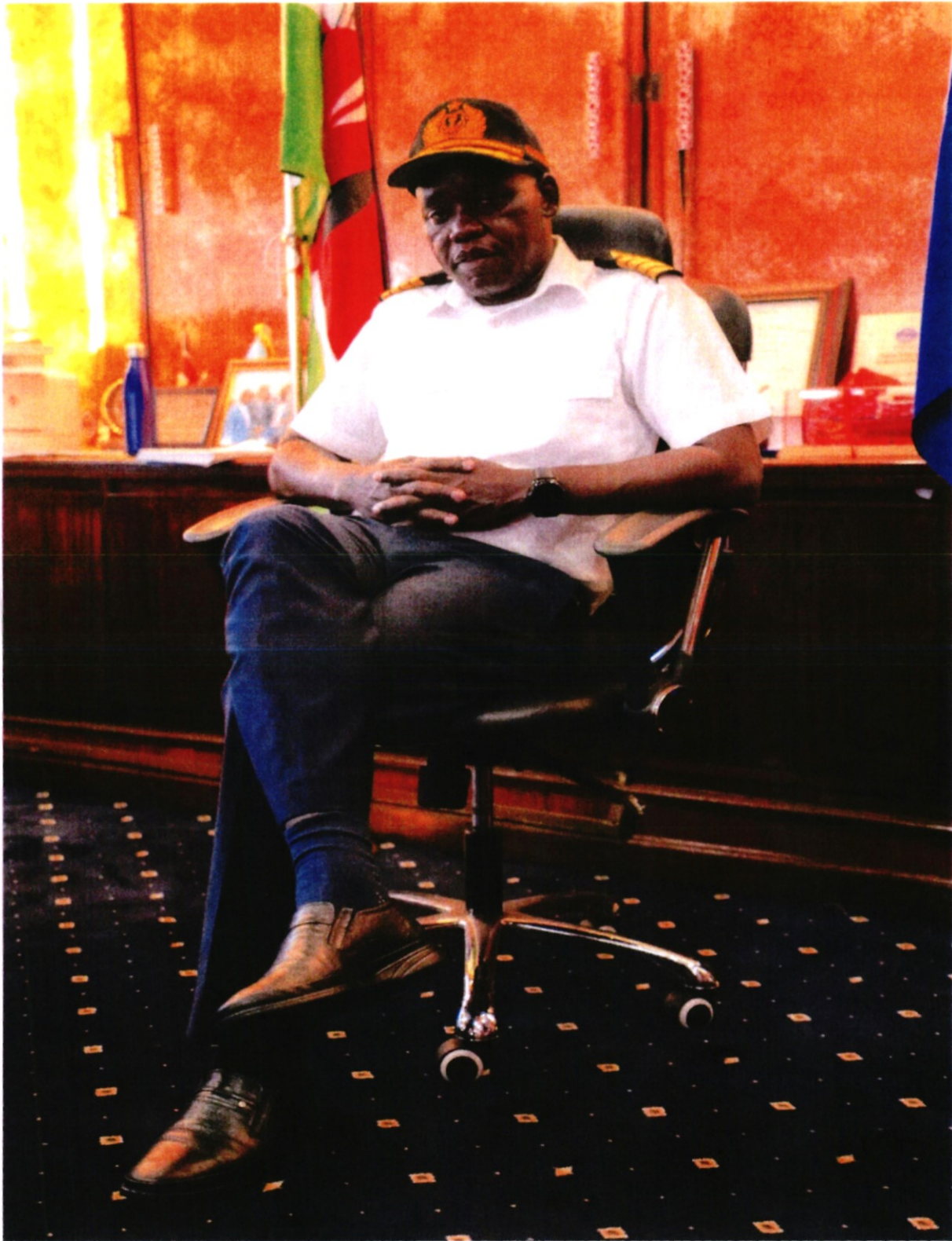
God bless Kenya and God bless us all.

Hon. Benjamin D. S. Tayari

**CHAIRMAN**



**REPORT OF THE MANAGING DIRECTOR**



## **REPORT OF THE MANAGING DIRECTOR (Cont'd)**

### **Introduction**

It gives me great pleasure to present the Authority's Annual Report and Financial Statements for year ended 30 June 2023 in my first year as the Managing Director. The Kenyan economy exhibited resilience as it recovers from the Covid-19 pandemic and the August 2022 general elections.

### **Financial Performance**

The Authority realized total revenues (including Finance Income and other gains) amounting to KES 60,979 million during the year under review compared to KES 51,359 million in FY 2021/2022, which represents an increase of KES 9,620 million or 18.7%. In terms of expenditure, the Authority recorded Total expenditure amounting to KES 44,331 million compared to KES 40,211 million recorded during the last FY, resulting to an increase of KES 4,120 million.

PBT increased by KES 5,500 million or 49% from KES 11,148 million in FY 2020/2021 to KES 16,648 million in the year under consideration. The Authority maintained a healthy Financial Position with an Asset base of KES 346,992 million up from KES 338,377 million last FY reflecting a growth of 2.5%

### **Risk Management**

The Authority maintains a sound risk management and internal control system that determines the nature and extent of the risks to take in pursuit of the strategic objectives. The Board Audit and Risk Committee reviews the risk management framework to ensure that it readily identifies key risks and strategies to mitigate them.

All business units have developed risk registers, based on a standardized risk management methodology to identify, assess and monitor the key risks faced by the business. Information on the efficacy of the risk treatment plans, trends, direction of risk over time, is provided in relation to each risk on a quarterly basis. The identified risks are assessed in terms of their impact and likelihood. Mitigation plans are put in place to manage the risks identified and exploit the attendant opportunities. Risk Management is factored in the day-to-day processes thereby informing sound decision making.

The Authority has adopted ISO 31000:2018 Risk Management guidelines and includes the Committee of Sponsoring Organizations' (COSO) control activities. This ensures that the Authority aligns with best practice in managing risks and fosters proactive risk identification, assessment, mitigation and continuous monitoring across the business. The Enterprise Risk Management Framework enables the Authority to manage and report its strategic and operational risks in a consistent way. The Authority remains committed in ensuring improved customer experience and facilitating regional trade while proactively and systematically managing risk.

### **Operational Performance**

Over the past five years, the port throughput has steadily grown from 32.656 million tons in FY 2018/2019 to 34.464 million tons in FY 2022/2023 representing a growth of 5.54%. During the period under review, Container traffic registered 1.511 million TEUs compared to 1.376 million TEUs handled in FY 2018/2019 representing a growth of 9.8%. To stay ahead of demand, in providing efficient and competitive port services, the Authority commissioned the New KOT which has increased capacity to handle bulk liquid cargo. The Authority has also acquired new equipment with enhanced container handling capacity.

**REPORT OF THE MANAGING DIRECTOR (Cont'd)**

**Investments and Strategic Plan**

The Authority's competitiveness is dependent on the ability to keep abreast with the changes in the dynamic key trends in the global ports and maritime industry shipping industry innovations and new inventions such as ships sizes having grown, smart and green port operations, sustainable infrastructure development, private sector participation, creation of hubs and matters of cooperation as opposed to competition.

The KPA strategic plan 2018-2022 was developed with a focus on the customer and thus concentrated on strategic investments to modernize existing facilities in tandem with future industry demands. This entails developing new port infrastructure, acquisition, and modernization of equipment, and devising innovative ideas to improve and sustain efficiency.

Over the life of the Strategic Plan 2018-2022, the Authority made strides in the following pillars of the Strategic Plan;

- Customer Service Excellence: Improved customer satisfaction index from 63% to 71%.
- Operational excellence
  - Capacity increase in Bulk Petroleum handling capacity from 6.4Mts to 12.3Mts
  - Container Handling - Capacity from 1.65M Teus to 2.1M Teus
- Good Governance - Improved Corruption perception index from 4.7 to 4.17


To enhance Operational Efficiency, the Authority acquired key equipment at Mombasa Port and the Port of Lamu comprising Marine Tugboat christened "MV Pate", Security Patrol Boat christened "MV Tewa II" and Harbour Mobile cranes among other port Equipment.

The Authority has approved a new Strategic plan 2023/2024-2027/2028 which will shape the performance of the Authority over the next five years.

**Conclusion**

The Authority continues to develop new port infrastructure, acquire, and modernize its equipment and devise innovative ideas to improve and sustain efficiency. We continue to rely on our Human Resources to attain the set goals and targets.

I thank our customers, the Board of Directors, our dedicated and talented staff for their support as well as their efforts in making sure the Authority achieves its goals and objectives. I also appreciate our service providers, the national & regional Governments and all other stakeholders for their respective contributions to the Authority during the year. I look forward to continued support as we strive to transform Mombasa Port to the port of choice in East and Central Africa.

  
Capt. William K. Ruto, AFNI  
**MANAGING DIRECTOR**

**STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES**

Section 81 Subsection 2 (f) of the PFM Act, 2012 requires the accounting officer to include in the financial statement, a statement of the national government entity’s performance against predetermined objectives.

The Authority has 4 strategic themes and 5 strategic objectives within the Strategic Plan 2018-2022. The strategic plan is anchored on Vision 2030, the 3rd medium Term Plan and the Big 4 agenda, among other policy documents. Working towards the realization of the vision and mission, the Authority’s strategic model is premised on four Strategic themes. These strategic themes are as follows:

1. Theme 1: Customer Service Excellence
2. Theme 2: Operational Excellence
3. Theme 3: Business Growth
4. Theme 4: Good Governance

The following five (5) key Strategic Objectives address the stated themes above.

1. Improve Port Services
2. Improve Customer Satisfaction
3. Sustain Business Growth
4. Improve Labour Productivity
5. Enhancing Risk Management and Environmental Sustainability

The Authority develops its annual work plans based on the above five (5) strategic objectives. Assessment of the Board’s performance against its annual work plan is done on a quarterly basis. The actual performance compared to the targets set for the FY 2022/2023 for the 4 strategic pillars are summarized below:

| <b>Strategic Theme</b>         | <b>Objective</b>              | <b>Key Performance Indicators</b> | <b>Activities</b>                                                                                                                                     | <b>Achievements</b>                                                                                                                                                                                              |
|--------------------------------|-------------------------------|-----------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1: Customer Service Excellence | Improve Customer Satisfaction | Customer Satisfaction Index       | <ul style="list-style-type: none"> <li>• Customer relationship management framework</li> <li>• stakeholder engagement framework</li> </ul>            | Improved customer satisfaction index from 63% to 71%.                                                                                                                                                            |
| 2: Operational excellence      | Improve Port Services         | Capacity Increase                 | Operationalization of: <ul style="list-style-type: none"> <li>• Kipevu Oil Terminal II</li> <li>• Second Container Terminal (CT2) phase II</li> </ul> | Capacity increased as follows: <ul style="list-style-type: none"> <li>• Bulk Petroleum handling capacity from 6.4 Mts to 12.3 Mts</li> <li>• Container Handling Capacity from 1.65M TEUs to 2.1M TEUs</li> </ul> |

**STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES  
(CONT'D)**

| <b>Strategic Theme</b> | <b>Objective</b>                                                                                                                                                             | <b>Key Performance Indicators</b>                                                                                                                             | <b>Activities</b>                                                                                                                                                                                                                                                             | <b>Achievements</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 3: Business Growth     | Sustain Business Growth                                                                                                                                                      | <ul style="list-style-type: none"> <li>• Cargo Throughput (MT)</li> <li>• Container Traffic (TEUs)</li> <li>• Revenue</li> <li>• Profit before Tax</li> </ul> | <ul style="list-style-type: none"> <li>• Developed and implemented a marketing strategy.</li> <li>• Equipment Acquisition</li> <li>• Operationalized KOT and CT2 Phase II</li> </ul>                                                                                          | <ul style="list-style-type: none"> <li>• Cargo Throughput (Million MT)<br/><br/>Target: 34.63MT<br/>Actual: 34.46MT</li> <li>• Container Traffic (Million TEUs),<br/><br/>Target: 1.484<br/>Actual: 1.510</li> <li>• Transit Traffic (Million MT)<br/><br/>Target: 10.451<br/>Actual: 11.033</li> <li>• Core Revenue (Billion KES)<br/><br/>Target: 50.87<br/>Actual: 57.73</li> <li>• Profit Before Tax (Billion KES)<br/><br/>Target: 7.92<br/>Actual: 16.64</li> </ul> |
| 4: Good Governance     | <ul style="list-style-type: none"> <li>• Improve Labour Productivity and Corporate Leadership</li> <li>• Enhance Risk Management and Environmental Sustainability</li> </ul> | <ul style="list-style-type: none"> <li>• Corruption perception index</li> <li>• Compliance to Legal and Regulatory requirements</li> </ul>                    | <ul style="list-style-type: none"> <li>• Implemented ISO 9001:2015 Quality Management System</li> <li>• Implemented KPA anti- corruption policies.</li> <li>• Implemented the new organizational structure.</li> <li>• Implemented a performance management system</li> </ul> | <ul style="list-style-type: none"> <li>• Improved Corruption perception index from 4.7 to 4.17</li> <li>• Risk maturity level 100%</li> </ul>                                                                                                                                                                                                                                                                                                                             |

**STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES  
(CONT'D)**

At the close of the year, KPA was finalizing the Strategic Plan 2023/24 – 2027/28 which is aligned to the MTP 4. The success of this plan relies on the ability to attain higher customer satisfaction levels which will drive a strong financial performance for investment decisions. The plan highlights four main thematic areas that KPA will focus on for the next five years. These are:

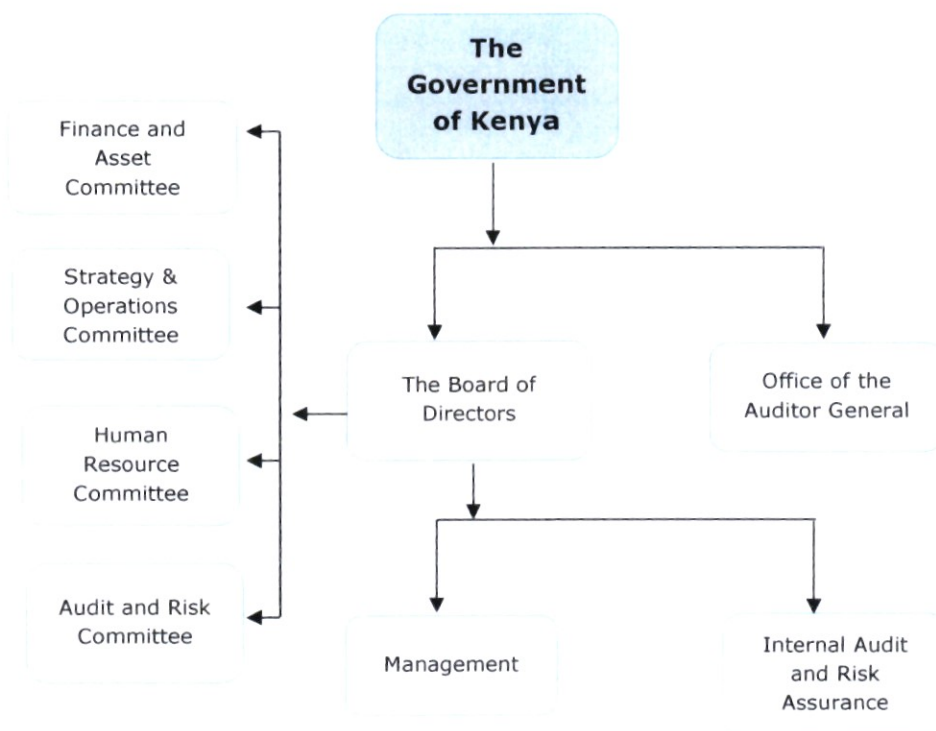
- I. Customer Focus
- II. Operational Excellence
- III. Business Growth
- IV. Good Governance

Customer Service Excellence shall be the core focus for the Strategic Plan 2023/24-2027/28 such that all the other three themes will anchor on and will be delivered with the customer in mind.

**STATEMENT OF CORPORATE GOVERNANCE**

The Board is committed to ensuring that the Port is run in a professional, transparent, effective, efficient, and equitable manner so as to protect and enhance shareholder value and satisfy the interest of stakeholders. The principles and standards adhered to by the Board have been developed with close reference to the Mwongozo code of governance for state corporations and guidelines on corporate governance issued by the SCAC.

Kenya Ports Authority’s governance structure, by appointment is summarized in the chart below;



**The Board Charter**

Board protocols are regulated by a Board Charter as well as provisions of Schedule 1 of the KPA Act Chapter 391 of the Laws of Kenya, including the State Corporations Act where the constitutive statute is silent.

The Board’s principal duty is promoting the long-term success of the Port and delivering sustainable value to the shareholder. The Board Charter defines the governance parameters within which the board exists and operates, sets out specific responsibilities of the board, its committees and directors collectively, as well as certain roles and responsibilities incumbent upon directors as individuals.

A summary of the Board responsibilities are as follows:

- Providing entrepreneurial leadership to the Port within a framework of prudent and effective controls which allow risk to be assessed and managed.
- Strategy formulation and ensuring that there are adequate policies, systems, and structures to successfully implement the Port strategy.
- Monitoring Port performance against strategic plans and objectives on a going concern basis, as well as holding mandatory quarterly meetings.

## **STATEMENT OF CORPORATE GOVERNANCE (Cont'd)**

- Approval for publication of financial statements.
- Selection, appointment and appraisal of Senior Managers.
- Approval of the risk management framework and ensuring that there are adequate structures and systems to identify, measure and monitor key risks facing the Port.
- Reviewing the effectiveness of systems for monitoring and ensuring compliance with laws and regulations.
- Reviewing and monitoring the Port's corporate governance's policies and practices.
- Reviewing the Port Capital levels to ensure that there is adequate capital for the planned growth and expansion within the strategic cycle.
- Approval of among other things, major capital expenditures, borrowings, budget, write offs, acquisition of land etc.

### **The Board Size, Composition, and Independence**

The Board consists of Eleven (11) directors out of whom seven are independent non-executive directors including the Chairman. The Board composition draws a good mix of skills, experience and proficiencies in various fields. The directors' biographies are shown on pages 8 to 11.

The non-executive directors are independent of Management. Their role is to advise, constructively challenge and monitor the success of Management in delivering the agreed strategy within the risk appetite and control framework set by the board.

### **Chairman and Managing Director**

The roles of the Chairman of the Board and the Managing Director remain distinct and separate. The Chairman gives overall leadership to the Board without limiting the principles of collective responsibility for the Board decisions. The Managing Director is responsible to the Board and takes responsibility for the effective and efficient running of the port on a day-to-day basis.

### **Board and Strategy Meetings**

The Board and its committees meet regularly in accordance with business requirements. All directors participate in discussing strategy, performance, financial and risk management of the Port. Meetings of the board are structured to allow sufficient time for consideration of the matters to be discussed.

The board work plan together with the calendar of meeting for FY 2022/2023 were fixed in advance and provided to all the directors. Adequate notice was given for each meeting and the agenda and supporting papers were distributed in advance to all the board and committee members to allow time for appropriate review.

The Board has ownership over the Authority's strategic direction. It regularly reviews reports on progress toward the targets of the approved business plan, progress against financial objectives and business development. The chairpersons of board committees report at each meeting of the board on the activities of the committee from the previous Board meeting. The board receives regular reports from the Managing Director on the maritime trade environment, strategy, business development and financial performance of the port.

The Board gets regular reports on the port risk appetite profile, top and emerging risk, risk management, liquidity, litigations, compliance, and any emerging issues. Members of the EXCOM are regularly invited to attend Board and committee meetings as required to make presentations that give directors an insight into specific technical business areas.

## STATEMENT OF CORPORATE GOVERNANCE (Cont'd)

## Board Meetings

In compliance to the Mwongozo Code, the Board of Directors dedicated adequate time and met as required in order to effectively provide the required entrepreneurial leadership. During the year 2022/2023 the Authority had 4 Regular Board meetings, 8 Special Board meetings and 1 Strategic Board meeting with several meetings of the Committees of the Board. The attendances to the meetings are as indicated below.

| Director Name                 | Position     | Full Board/Special |                      | Strategy Meetings |                      | Finance & Asset |                      | Operations  |                      | Audit & Risk |                      | Human Resource |                      |
|-------------------------------|--------------|--------------------|----------------------|-------------------|----------------------|-----------------|----------------------|-------------|----------------------|--------------|----------------------|----------------|----------------------|
|                               |              | No. of Mtgs        | No. of Mtgs attended | No. of Mtgs       | No. of Mtgs attended | No. of Mtgs     | No. of Mtgs attended | No. of Mtgs | No. of Mtgs attended | No. of Mtgs  | No. of Mtgs attended | No. of Mtgs    | No. of Mtgs attended |
| Gen. (Rtd) Joseph R E Kibwana | C            | 4                  | (3 Regular)          | 1                 | 1                    |                 |                      |             |                      |              |                      |                |                      |
|                               |              | 8                  | (1 Special)          |                   |                      |                 |                      |             |                      |              |                      |                |                      |
| Hon. Benjamin D S Tayari      | C            | 4                  | (1 Regular)          | 1                 | 1                    |                 |                      |             |                      |              |                      |                |                      |
|                               |              | 8                  | (7 Special)          |                   |                      |                 |                      |             |                      |              |                      |                |                      |
| Amb. John Mwangemi            | Ag. MD       | 4                  | (3 Regular)          |                   |                      | 6               | 4                    | 5           | 2                    |              |                      |                |                      |
|                               |              | 8                  | (1 special)          |                   |                      |                 |                      |             |                      |              |                      |                |                      |
| Capt. William K Ruto, AFNI    | MD           | 4                  | (1 Regular)          | 1                 | 1                    | 6               | 2                    | 5           | 3                    |              |                      |                |                      |
|                               |              | 8                  | (1 special)          |                   |                      |                 |                      |             |                      |              |                      |                |                      |
| Mr. Darius Mobe               | D            | 4                  | (4 Regular)          | 1                 | 1                    | 6               | 4                    | 5           | 2                    | 6            |                      | 3              | 2                    |
|                               |              | 8                  | (8 Special)          |                   |                      |                 |                      |             |                      |              |                      |                |                      |
| Prof. Dulacha G. Barako       | AD (NT)      | 4                  | (3 Regular)          |                   |                      | 6               | 2                    | 5           | 2                    | 6            | 2                    | 3              | 1                    |
|                               |              | 8                  | (1 Special)          |                   |                      |                 |                      |             |                      |              |                      |                |                      |
| Mr. Festus King'ori           | AD (NT)      | 4                  | (1 Regular)          | 1                 | 1                    | 6               | 2                    | 5           |                      | 6            | 3                    | 3              |                      |
|                               |              | 8                  | (6 Special)          |                   |                      |                 |                      |             |                      |              |                      |                |                      |
| Mr. Lawrence Kibet            | AD (NT)      | 4                  | (0 Regular)          |                   |                      | 6               |                      | 5           |                      | 6            |                      | 3              |                      |
|                               |              | 8                  | (0 Special)          |                   |                      |                 |                      |             |                      |              |                      |                |                      |
| Mr. Conrad Thorpe             | D            | 4                  | (2 Regular)          |                   |                      | 6               |                      | 5           |                      | 6            | 3                    | 3              |                      |
|                               |              | 8                  | (1 Special)          |                   |                      |                 |                      |             |                      |              |                      |                |                      |
| Ms. Lydia Yator               | D            | 4                  | (3 Regular)          |                   |                      | 6               |                      | 5           |                      | 6            | 3                    | 3              | 1                    |
|                               |              | 8                  | (1 Special)          |                   |                      |                 |                      |             |                      |              |                      |                |                      |
| Ms. Nilfat K Ali              | D            | 4                  | (3 Regular)          |                   |                      | 6               | 4                    | 5           |                      | 6            |                      | 3              |                      |
|                               |              | 8                  | (1 Special)          |                   |                      |                 |                      |             |                      |              |                      |                |                      |
| Mr. Stephen G Gichuhi         | D            | 4                  | (3 Regular)          |                   |                      | 6               | 4                    | 5           | 2                    | 6            |                      | 3              |                      |
|                               |              | 8                  | (1 special)          |                   |                      |                 |                      |             |                      |              |                      |                |                      |
| Ms. Farida A Soud             | D            | 4                  | (3 Regular)          |                   |                      | 6               | 4                    | 5           | 2                    | 6            |                      | 3              |                      |
|                               |              | 8                  | (1 Special)          |                   |                      |                 |                      |             |                      |              |                      |                |                      |
| Mr. Phillip Mainga            | MD (KRC)     | 4                  | (1 Regular)          |                   |                      | 6               |                      | 5           |                      | 6            |                      | 3              |                      |
|                               |              | 8                  | (1 Special)          |                   |                      |                 |                      |             |                      |              |                      |                |                      |
| Ms. Beatrice Nyamoita         | AD (MoTIHUD) | 4                  | (3 Regular)          |                   |                      | 6               | 4                    | 5           | 2                    | 6            | 3                    | 3              | 2                    |
|                               |              | 8                  | (7 Special)          |                   |                      |                 |                      |             |                      |              |                      |                |                      |

**STATEMENT OF CORPORATE GOVERNANCE (Cont'd)**

**Board Meetings (Cont'd)**

| Director Name         | Position  | Full Board/Special |                      | Strategy Meetings |                      | Finance & Asset |                      | Operations  |                      | Audit & Risk |                      | Human Resource |                      |
|-----------------------|-----------|--------------------|----------------------|-------------------|----------------------|-----------------|----------------------|-------------|----------------------|--------------|----------------------|----------------|----------------------|
|                       |           | No. of Mtgs        | No. of Mtgs attended | No. of Mtgs       | No. of Mtgs attended | No. of Mtgs     | No. of Mtgs attended | No. of Mtgs | No. of Mtgs attended | No. of Mtgs  | No. of Mtgs attended | No. of Mtgs    | No. of Mtgs attended |
| Mr. Alex Mbuvi        | AD (MoRT) | 4                  | (1 Regular)          |                   |                      | 6               | 2                    | 5           | 1                    | 6            | 1                    | 3              | 1                    |
|                       |           | 8                  | (1 Special)          |                   |                      |                 |                      |             |                      |              |                      |                |                      |
| Mr. Oscar Eredi       | AD (AG)   | 4                  | (3 Regular)          |                   |                      | 6               |                      | 5           |                      | 6            | 2                    | 3              | 1                    |
|                       |           | 8                  | (1 Special)          |                   |                      |                 |                      |             |                      |              |                      |                |                      |
| Brig. Alice Mate      | AD (AG)   | 4                  | (1 Regular)          | 1                 | 1                    | 6               |                      | 5           |                      | 6            | 1                    | 3              | 2                    |
|                       |           | 8                  | (6 Special)          |                   |                      |                 |                      |             |                      |              |                      |                |                      |
| Hon. Lucas Maitha     | D         | 4                  | (1 Regular)          | 1                 | 1                    | 6               |                      | 5           |                      | 6            | 3                    | 3              | 2                    |
|                       |           | 8                  | (7 Special)          |                   |                      |                 |                      |             |                      |              |                      |                |                      |
| Hon. Musa Osman       | D         | 4                  | (1 Regular)          | 1                 | 1                    | 6               | 2                    | 5           | 3                    | 6            |                      | 3              |                      |
|                       |           | 8                  | (7 Special)          |                   |                      |                 |                      |             |                      |              |                      |                |                      |
| Dr. Consolata Lusweti | D         | 4                  | (1 Regular)          | 1                 | 1                    | 6               |                      | 5           | 3                    | 6            | 3                    | 3              |                      |
|                       |           | 8                  | (7 Special)          |                   |                      |                 |                      |             |                      |              |                      |                |                      |
| Ms. Caroline N Maina  | D         | 4                  | (1 Regular)          | 1                 | 1                    | 6               |                      | 5           | 3                    | 6            | 3                    | 3              | 2                    |
|                       |           | 8                  | (7 Special)          |                   |                      |                 |                      |             |                      |              |                      |                |                      |
| Mr. Emmanuel Kibet    | D         | 4                  | (1 Regular)          | 1                 | 1                    | 6               | 2                    | 5           | 3                    | 6            |                      | 3              |                      |
|                       |           | 8                  | (7 Special)          |                   |                      |                 |                      |             |                      |              |                      |                |                      |
| Mr. Chris Makokha     | ISC       | 4                  | (4 Regular)          | 1                 | 1                    | 6               |                      | 5           |                      | 6            |                      | 3              |                      |
|                       |           | 8                  | (5 Special)          |                   |                      |                 |                      |             |                      |              |                      |                |                      |

C -Chairman

Ag. - MD Acting Managing Director

MD -Managing Director

D - Director

AD(NT)- Alternate Director (National Treasury)

MD (KRC)-Managing Director (Kenya Railway Corporation)

AD (MoRT)- Alternate Director (Ministry of Transport and Roads)

AD (MoTIHUD)- Alternate Director (former Ministry of Transport, Infrastructure, Housing & Urban Development)

AD (AG)- Alternate Director (Attorney General's office)

ISC -Inspector State Corporations

**STATEMENT OF CORPORATE GOVERNANCE (Cont'd)****Compliance with Mwongozo Code**

The Authority has endeavored to comply with the Mwongozo Code of Governance for State Corporations in the discharge of its mandate through the Board. It is however recognized that the code will be implemented on a 'comply or explain' basis and organizations will be allowed time to fully comply at a pace that is realistic in their circumstances and to learn from the experience of others.

In fulfilling the Mwongozo code's sustainability goals & strategy, the Board;

- i. Integrated sustainability into the organization's strategy and management practices
- ii. Focused on the future sustainability of the organization.
- iii. Adopted a holistic approach to economic, social and environmental issues in their core business strategy.
- iv. Considered in their decision making, the impact of their organization's operations on the community and the environment.
- v. Worked closely with management to ensure long-term goals are well formulated and subsequently met.
- vi. Focused on long-term talent development.
- vii. Ensured continuous innovation of its processes, products, and services.

The Authority discloses the following instances of noncompliance; -

- i. Governance Audits: The Government policy requires that governance audits to be undertaken by States Corporation Advisory Committee. However, SCAC has not yet rolled out this exercise at the close of the year.

**Board Remunerations**

The non-executive Board members are paid sitting allowances of KES 20,000 for every meeting attended as provided by GoK circulars. Director's fees are paid to directors' subject to approval by the National Treasury and Planning. As at the close of the financial year, no requisite approval from National Treasury on payment of Directors' fees from FY2013/2014 to FY2021/2022 had been received. Directors' fees are provided for in the financial statements upon approval of the Financial Statements by the Board and payable on submission of the audit report by the office of the Auditor General for the respective financial year statements. The Authority granted no loans to its directors during the year. The Directors' remuneration has been disclosed under note 8 of the financial statements. No bonuses were paid to the Directors during the year. The Directors are also provided with personal insurance cover.

## **STATEMENT OF CORPORATE GOVERNANCE (Cont'd)**

### **Directors' External Activities and Conflict of Interest**

Directors have a statutory duty to avoid situations in which they have interests which may conflict with the interests of the Authority. A conflict-of-interest register is signed at every meeting and any emerging interest recorded.

### **Board Structure**

The Board operates under a comprehensive structure made up of committees established to assist in discharging its responsibilities and obligations as guided by the State Corporation Act Cap 446, section 9, and Mwongozo Code of Conduct Chapter 1 Section 1.7. These committees assist the board in carrying out its functions and ensuring that there is independent oversight of internal controls and risk management. The Board has determined the purpose and the number of committees required to support it in carrying out its duties and responsibilities and in guiding Management. These committees have been established with specific terms of reference, which are continually reviewed and updated.

The appointment of members to these committees draws on the skills and experience of individual directors. The role played by board committees forms the principal point of contact between the Directors and Management. Constitution of the Committees are also rotated from time to time. Following the appointments of a new Chairman and new directors, new committees were constituted in January 2023.

The Mwongozo Code of Conduct further provides for the establishing of not more than four committees of the Board and for the Authority these are namely, Finance & Assets Committee, Audit & Risk Committee, Human Resources Committee and Strategy & Operations Committee. All committees have at least four non- executive directors as members. The chair of the committee is a non- executive director. The chairman of the Board does not sit in any of the committees.

At every meeting of the full board, the chair of each committee presents a report on its activities, decisions and recommendations of their respective committees from the date of the previous meeting for further consideration and approval where necessary. Details of the committees are given below:

- **Finance and Assets Committee**

The core functions of the Finance and Asset Committee is to ensure that the undertakings of the Authority are operated efficiently, according to sound commercial principles in accordance with Part V and VI of the KPA Act 1978.

#### **Old Committee**

| <b>Director</b>        |             | <b>Meetings</b> |                 | <b>% Attendance</b> | <b>Left</b>  |
|------------------------|-------------|-----------------|-----------------|---------------------|--------------|
|                        |             | <b>Held</b>     | <b>Attended</b> |                     |              |
| Farida A. Soud         | Chairperson | 4               | 4               | 100%                | January 2023 |
| Nilfat K. Ali          | Member      | 4               | 4               | 100%                | January 2023 |
| Stephen G. Gichuhi     | Member      | 4               | 4               | 100%                | January 2023 |
| Prof. Dulacha Galgallo | Member      | 4               | 2               | 50%                 | January 2023 |
| Beatrice Nyamoita      | Member      | 4               | 4               | 100%                | March 2023   |

**STATEMENT OF CORPORATE GOVERNANCE (Cont'd)****Finance and Assets Committee (Cont'd)****New Committee**

| Director            |             | Meetings |          | % Attendance | Appointed/Left |
|---------------------|-------------|----------|----------|--------------|----------------|
|                     |             | Held     | Attended |              |                |
| Mr. Emmanuel Kibet  | Chairperson | 2        | 2        | 100%         | January 2023   |
| Mr. Darius Mobe     | Member      | 2        | 2        | 100%         | January 2023   |
| Hon. Musa Osman     | Member      | 2        | 2        | 100%         | January 2023   |
| Mr. Festus King'ori | Member      | 2        | 2        | 100%         | Left May 2023  |
| Mr. Alex Mbuvi      | Member      | 2        | 2        | 100%         | March 2023     |

- **Strategy & Operations Committee**

The Committee focuses on ensuring that productivity is maintained according to international standards. It also identifies obstacles that may hamper smooth operations and formulates policies on improvement of port performance. It also focuses on the implementation of the Authority's Strategic Plan and any emerging challenges and makes recommendations to the Board.

**Old Committee**

| Director                  |             | Meetings |          | % Attendance | Left         |
|---------------------------|-------------|----------|----------|--------------|--------------|
|                           |             | Held     | Attended |              |              |
| Mr. Darius Mobe           | Chairperson | 2        | 2        | 100%         |              |
| Mr. Stephen G Gichui      | Member      | 2        | 2        | 100%         | January 2023 |
| Ms. Farida A Soud         | Member      | 2        | 2        | 100%         | January 2023 |
| Prof. Dulacha B. Galgallo | Member      | 2        | 2        | 100%         | January 2023 |
| Beatrice Nyamoita         | Member      | 2        | 2        | 100%         | March 2023   |

**New Committee**

| Director              |             | Meetings |          | % Attendance | Appointed/Left |
|-----------------------|-------------|----------|----------|--------------|----------------|
|                       |             | Held     | Attended |              |                |
| Hon. Musa Osman       | Chairperson | 3        | 3        | 100%         | January 2023   |
| Mr. Emmanuel Kibet    | Member      | 3        | 3        | 100%         | January 2023   |
| Ms. Caroline N Maina  | Member      | 3        | 3        | 100%         | January 2023   |
| Dr. Consolata Lusweti | Member      | 3        | 3        | 100%         | January 2023   |

- **Human Resources Committee**

The committee reviews the Human Resources policies and procedures and ensures that they support the strategy of the Authority. It ensures that the Authority maintains a policy of providing remuneration packages that fairly reward staff for their contribution to the business, whilst considering the need to attract, retain and motivate staff of the highest caliber. The committee also ensures successions plans are in place for senior managers of the Authority.

**STATEMENT OF CORPORATE GOVERNANCE (Cont'd)**

**Human Resources Committee (Cont'd)**

**Old Committee**

| Director                 |             | Meetings |          | % Attendance | Left         |
|--------------------------|-------------|----------|----------|--------------|--------------|
|                          |             | Held     | Attended |              |              |
| Ms. Nilfat K Ali         | Chairperson | 1        | 1        | 100%         | January 2023 |
| Mr. Darius Mobe          | Member      | 1        | 1        | 100%         | January 2023 |
| Ms. Lydia Yator          | Member      | 1        | 1        | 100%         | January 2023 |
| Mr. Conrad Thorpe        | Member      | 1        | 0        | 0            | January 2023 |
| Prof. Dulacho B Galgallo | Member      | 1        | 1        | 100%         | January 2023 |
| Ms. Beatrice Nyamoita    | Member      | 1        | 1        | 100%         | March 2023   |
| Mr. Oscar Eredi          | Member      | 1        | 1        | 100%         |              |

**New Committee**

| Director             |             | Meetings |          | % Attendance | Appointed    |
|----------------------|-------------|----------|----------|--------------|--------------|
|                      |             | Held     | Attended |              |              |
| Ms. Caroline N Maina | Chairperson | 2        | 2        | 100%         | January 2023 |
| Hon. Lucas Maitha    | Member      | 2        | 2        | 100%         | January 2023 |
| Mr. Darius Mobe      | Member      | 2        | 1        | 50%          |              |
| Brig. Alice M Mate   | Member      | 2        | 2        | 100%         | January 2023 |
| Mr. Alex Mbuvi       | Member      | 1        | 1        | 100%         | March 2023   |

• **Audit and Risk Committee**

The committee plays a vital role in ensuring the integrity of financial statements prior to their review and approval by the board. To this end, the committee reviews the accounting policies financial reporting and regulatory compliance of the Authority. The committee also continually evaluates the effectiveness of risk management programs. The committee receives reports of the Internal and External Auditors and management's corrective response to the findings. The committee also reviews the overall scope, annual plans for the internal audit function's activities and oversees the alignment of risk management programs and internal audit activities.

The committee reviews all key internal audit reports and has regular direct access to the General Manager Internal Audit & Risk Assurance.

**Old Committee**

| Director                 |             | Meetings |          | % Attendance | Left         |
|--------------------------|-------------|----------|----------|--------------|--------------|
|                          |             | Held     | Attended |              |              |
| Mr. Conrad Thorpe        | Chairperson | 3        | 3        | 100%         | January 2023 |
| Ms. Lydia Yator          | Member      | 3        | 3        | 100%         | January 2023 |
| Prof. Dulacho B Galgallo | Member      | 3        | 2        | 67%          | January 2023 |
| Mr. Oscar Eredi          | Member      | 3        | 2        | 67%          | January 2023 |
| Ms. Beatrice Nyamoita    | Member      | 3        | 2        | 67%          | March 2023   |
| Eng. Phillip Mainga      | Member      | 3        | 0        | 0            |              |

**STATEMENT OF CORPORATE GOVERNANCE (Cont'd)****Audit and Risk Committee (Cont'd)****New Committee**

| Director              |             | Meetings |          | % Attendance | Appointed/Left |
|-----------------------|-------------|----------|----------|--------------|----------------|
|                       |             | Held     | Attended |              |                |
| Hon. Lucas Maitha     | Chairperson | 3        | 3        | 100%         | January 2023   |
| Dr. Consolata Lusweti | Member      | 3        | 3        | 100%         | January 2023   |
| Ms. Caroline N Maina  | Member      | 3        | 2        | 67%          | January 2023   |
| Mr. Festus King'ori   | Member      | 3        | 2        | 67%          | Left May 2023  |

**Board and Committee Evaluation results;**

| Name                               | Position    | Term                         |                               | Raw Score | % Score |
|------------------------------------|-------------|------------------------------|-------------------------------|-----------|---------|
|                                    |             | Start                        | End                           |           |         |
| Gen. (Rtd) Joseph R. Kibwana       | Chairman    | 6 <sup>th</sup> October 2021 | 23 <sup>rd</sup> January 2023 |           |         |
| Amb. John Mwangemi                 | Ag.MD       | 1 <sup>st</sup> July 2021    | 31 <sup>st</sup> March 2023   |           |         |
| Lt Col. Conrad Thorpe              | Member      | 6 <sup>th</sup> October 2021 | 23 <sup>rd</sup> January 2023 |           |         |
| Mr. Darius Mobe                    | Member      | 6 <sup>th</sup> October 2021 | 23 <sup>rd</sup> January 2023 |           |         |
| Ms. Lydia Yator                    | Member      | 6 <sup>th</sup> October 2021 | 23 <sup>rd</sup> January 2023 |           |         |
| Ms. Farida Abdalla                 | Member      | 6 <sup>th</sup> October 2021 | 23 <sup>rd</sup> January 2023 |           |         |
| Mr. Stephen Gichuhi                | Member      | 6 <sup>th</sup> October 2021 | 23 <sup>rd</sup> January 2023 |           |         |
|                                    | Alt. Member | -                            | -                             |           |         |
|                                    | Alt. Member | -                            | -                             |           |         |
|                                    | Alt. Member | -                            | -                             |           |         |
|                                    | INSP.CORPS  | -                            | -                             |           |         |
| <b>Corporate Board Performance</b> |             |                              |                               |           |         |

**STATEMENT OF CORPORATE GOVERNANCE (Cont'd)****Process of appointment and removal of directors, roles, and functions of the Board**

The KPA Act vests the mandate to appoint members of the Board in the CS Ministry of Transport. The KPA Board of Directors comprises 11 members out of which Seven (7) are independent Directors, well above the 1/3 requirement. The MD KPA is also a member of the Board in tandem with the Mwongozo Code of Governance and the KPA Act. The composition of the Board has met the parameters of Article 27 of the CoK 2010 regarding equal opportunities. Out of the 7 independent directors, two (2) are female. It has also captured a diversity of skills and competencies required for the achievement of the organization's long-term goals, as evidenced by the Director's data submitted herein.

Removal of directors is guided by the provisions of the State Corporations Act. The power to appoint also envisages the inherent power to remove or fire, and as long the power to appoint is vested in the CS, members of the Board can only recommend removal.

The Independent directors are not in the service of the National or County Governments and do not hold positions in more than two state corporations. The table below lists the areas of specialization or experience of the directors.

| <b>Name</b>                  | <b>Qualifications/Experience</b>                   |
|------------------------------|----------------------------------------------------|
| Gen. (Rtd) Joseph R. Kibwana | Security                                           |
| Lt Col. Conrad Thorpe        | Security                                           |
| Mr. Darius Mobe              | Strategist                                         |
| Ms. Lydia Yator              | Hospitality                                        |
| Ms. Farida Abdalla           | Accountant                                         |
| Mr. Stephen Gichuhi          | Banker                                             |
| Ms. Nilfat Kassim            | Lawyer                                             |
| Hon. Benjamin D. Tayari      | International Relations                            |
| Hon. Musa Osman              | Public-Private partnerships and project management |

**Board Induction and Continuous Skill Development**

New Board members are provided with an induction program to familiarize themselves with their responsibilities as directors, general principles of corporate governance and board practices. The Board members were given an orientation of the organization, its strategic plans, financial status and policies, risk management, compliance programs and the code on Conduct and Ethics. The Authority embarked on a training program for the new directors aimed at enhancing skills on managing board issues and corporate governance both locally and internationally. The trainings conducted for the Directors and their attendance is as below;

|                                                                                                  |                                                                                     |
|--------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|
| Governance Training held on 13/03/23 to 17/03/23 at Leopard Beach hotel for the below directors; | KESRA Board of Directors Training held at Lake Naivasha Resort 17/04/23 to 19/04/23 |
| Hon. Lucas Maitha                                                                                | Hon. Musa Osman                                                                     |
| Hon. Musa Osman                                                                                  | Ms. Caroline N Maina                                                                |
| Dr. Consolata Lusweti                                                                            | Mr. Festus King'ori                                                                 |
| Ms. Caroline N Maina                                                                             | Mr. Alex Mbuvi                                                                      |
|                                                                                                  | Brig. Alice Mate                                                                    |

## **STATEMENT OF CORPORATE GOVERNANCE (Cont'd)**

### **Management Committees**

A significant factor in the Authority's success is the strength of the Management team. Members of the Management team bring together vital leadership skills and extensive maritime trade experience from both local and international exposure. To harness their strength, the Managing Director has established the Executive Committee of Management (EXCOM). This committee meets regularly and at least monthly to discuss strategy formulation and implementation, policy matters and financial performance.

It is also responsible for ensuring compliance with the regulatory framework and guidelines and adherence to the Authority's policies and procedures. The committee also serves as the link between the board and management. The Managing Director has also established other standing committees to execute various mandates and to support the EXCOM in realization of its objectives. Some of the committees include Information Technology Steering Committee, Port Productivity Committee, Change Management Committee, Corporate Training committee, Tariff Committee among others.

### **Ethics and Integrity Statement**

The Board is committed to promotion of good Corporate Governance as envisaged in KPA strategic plan. The Authority has in place an Ethics and Integrity policy that is posted on its website. Staff and Clients are invited to interact with the Ethic and Integrity policies posted on the website when confronted with any ethical dilemma or to contact Ethics and Integrity office.

Additionally, unethical corrupt practices or public complaints are reported through the following dedicated email address; [stopcorruption@kpa.co.ke](mailto:stopcorruption@kpa.co.ke).

In addition, stakeholders can also reach us through the following lines: -

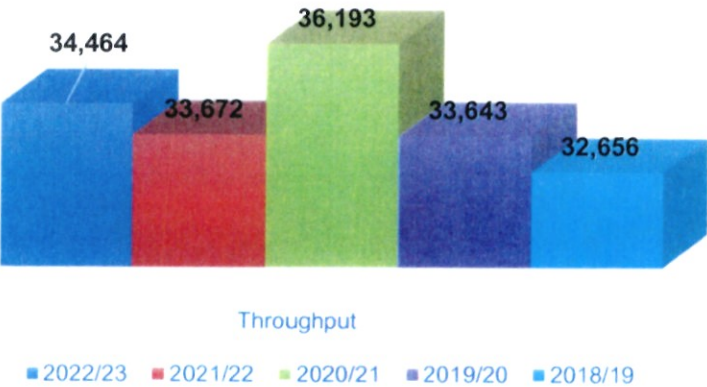
|                                 |                     |
|---------------------------------|---------------------|
| Managing Director:              | +254 - 41 - 2113497 |
| Manager, Ethics, and Integrity: | +254 - 41 - 2113464 |

### **ICT Governance**

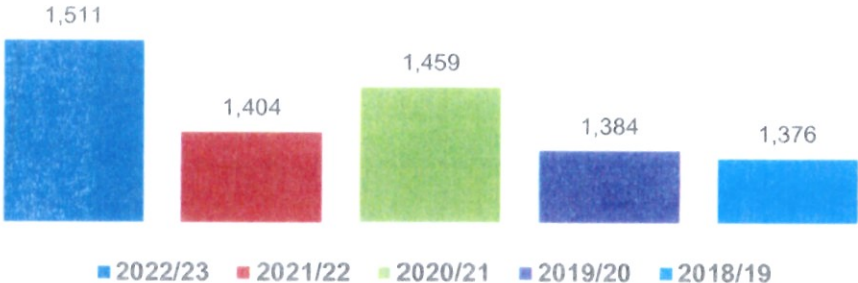
The Board has ensured that the ICT policy is implemented and is integrated with KPA strategic and business processes. The policy guides on the usage and operation of all ICT infrastructure, projects and operations, safeguard ICT Assets and stakeholders' data, within the Authority while complying with international standards and best practices.

**THE YEAR IN REVIEW**

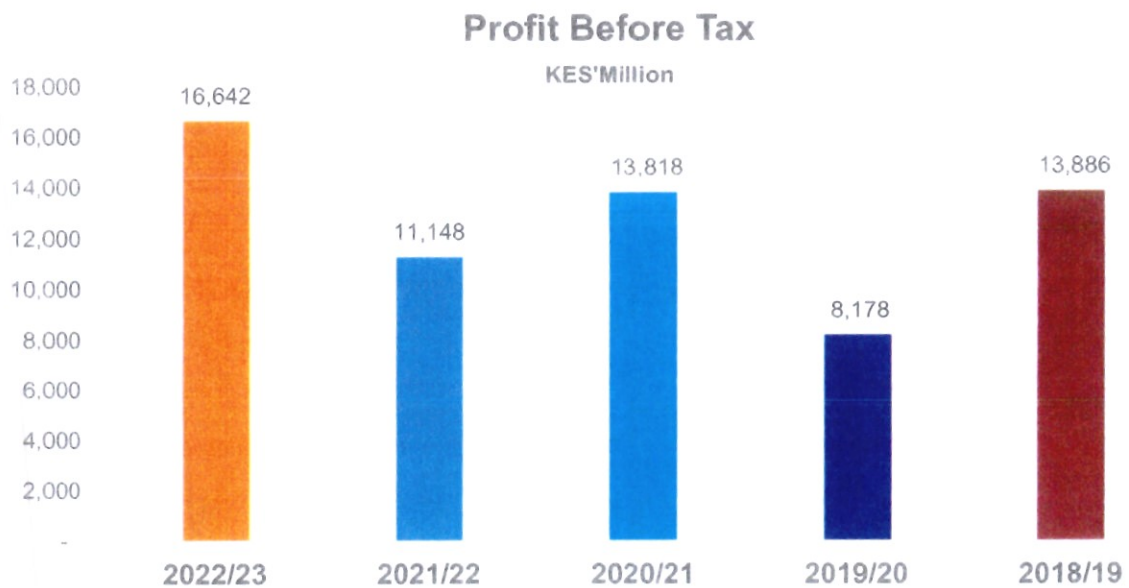
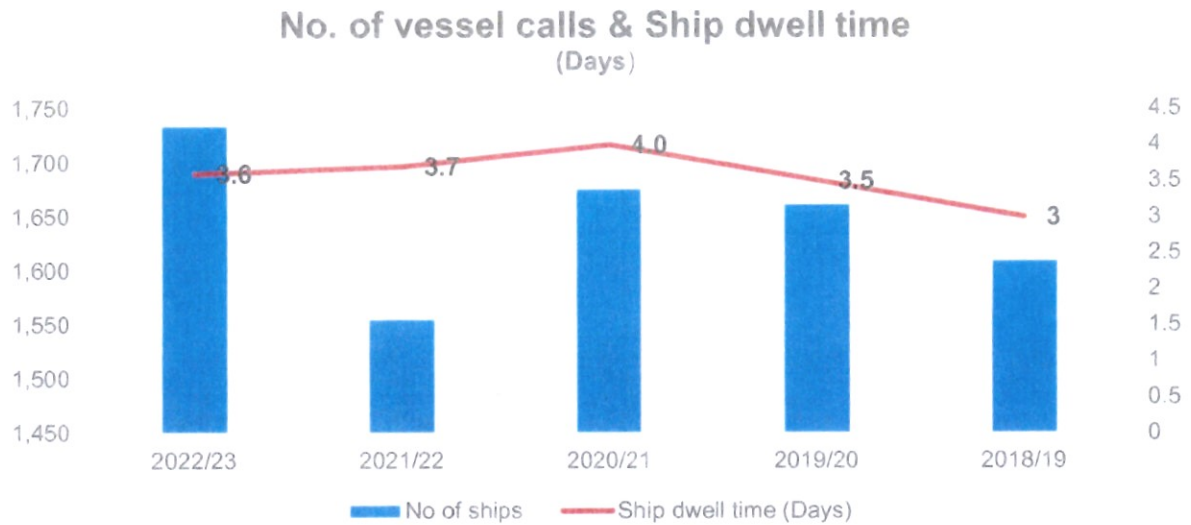
**Throughput (MT'000)**



**Container Traffic TEUs in '000**



**THE YEAR IN REVIEW (Cont'd)**



**THE YEAR IN REVIEW (CONT'D)**

During the year, the Authority acquired Tugboat Pate, Security boat Tewa and Pilot Boat Malkia. The 3 new state of the art boats were acquired with the aim to increase efficiency, improve security and increase revenue through offering pilotage services.



**TUGBOAT PATE**



**PILOT BOAT MALKIA**

## **MANAGEMENT DISCUSSION AND ANALYSIS ON PORT PERFORMANCE**

### **1.0 Introduction**

Management wishes to present an analysis of the Authority's financial performance for the period ending 30 June 2023.

### **2.0 Global Economic Review**

According to the IMF, the global economy recovered in 2021 following a period of recession in most economies occasioned by the COVID-19 pandemic. The recovery was however followed by increasingly gloomy developments in 2022 predicted to spill over to 2023 arising from:

- a) Further COVID-19 outbreaks and lockdowns in China in 2022 with spillover effects felt in other economies.
- b) Soaring inflation rates worldwide, especially in the United States and major European economies.
- c) Negative spillovers from the Russia – Ukraine conflict have led to disruptions in the global supply chains and particularly affected global food prices.

The IMF therefore forecasts that global growth will slow from 3.4 percent in 2022 to 2.8 percent in 2023.

### **Eastern Africa Economic Review**

Eastern Africa has been experiencing better economic performance underpinned by its more diversified production structure compared to the rest of Africa. According to the AFDB, the region recorded a 4.4% growth in 2022 and is projected to rise strongly to 5.1% in 2023.

### **National Outlook and performance**

The Kenyan economy recovered to grow by 6.7% in the year 2021. In 2022, growth decelerated to 5.4%. Beyond 2022, the IMF predicts a broad-based average growth of 5.4% between 2023 and 2027.

### **Kenya Ports Authority Performance**

The Authority reported significant increase in profitability mainly driven by appreciation of US dollar against the local currency. In addition, throughput recorded an overall increase compared to same period last year largely attributed to growth in container segment.

The Authority crossed the 1.5 million TEUs mark in Container traffic for the first time; marking an important milestone in port performance.

Except for Uganda, there was strong growth in all transit markets with significant growth experienced in transit markets of South Sudan, DRC and Rwanda. The Domestic market increased marginally by 1.3%.

## MANAGEMENT DISCUSSION AND ANALYSIS ON PORT PERFORMANCE (CONT'D)

### 3.0 Performance Summary Overview

|                         | Actual            | Budget            | Actual Vs Budget | Actual (Restated) | Actual Vs. Actual |
|-------------------------|-------------------|-------------------|------------------|-------------------|-------------------|
|                         | July-June 2022/23 | July-June 2022/23 | % Variance       | July-June 2021/22 | % Variance        |
| Throughput (MTs '000)   | 34,464            | 34,635            | -0.5%            | 33,623            | 2.5%              |
| Total Revenue (KES 'M') | 60,979            | 54,369            | 12%              | 51,359            | 19%               |
| Total Cost (KES 'M')    | 44,337            | 42,495            | -4%              | 40,211            | -10%              |
| PBT (KES 'M')           | 16,642            | 11,874            | 40%              | 11,148            | 49%               |
| Profit Margin           | 27%               | 22%               |                  | 22%               |                   |

### 4.0 Throughput Overview

During the period ended 30 June 2023, the Port handled 34,464,095 tons against 33,622,899 tons compared to the period 30 June 2022, representing an increment of 841,195 or 2.5%.

Liquid bulk, Conventional cargo and Containerized Cargo categories exhibited growth with leading volumes of 216,491 tons, 238,261 tons and 1,287,268 tons respectively.

The end of the financial year earmarked a complete recovery in the handling of certain principal bulk commodities like Petroleum, Wheat, Fertilizer and Coal after a hard period experienced last year. The four key commodities registered a strong growth of 1,372,918 tons or 17%, 661,848 tons or 29%, 738,341 tons or 146% and 110,872 tons or 13% respectively. The growth was sufficient to offset the decline in the importation of Clinker by 1,631,176 tons or 65% when compared to the corresponding period in the financial year 2021/22.

### Throughput Traffic (MT) FY 2022/2023 against FY 2021/2022

| Type of Cargo             | 2022/2023         | 2021/2022         | Volume Change    | Growth %       |
|---------------------------|-------------------|-------------------|------------------|----------------|
| <b>Non - Container</b>    |                   |                   |                  |                |
| Dry Bulk                  | 6,119,114         | 7,019,969         | (900,825)        | (12.8) %       |
| Liquid Bulk               | 9,146,685         | 8,930,194         | 216,491          | 2.4%           |
| Conventional              | 2,514,927         | 2,276,666         | 238,261          | 10.5%          |
| <b>Sub- Total</b>         | <b>17,780,756</b> | <b>18,226,829</b> | <b>(446,073)</b> | <b>(2.4) %</b> |
| <b>Containerized</b>      | <b>16,683,339</b> | <b>15,396,071</b> | <b>1,287,268</b> | <b>8.4%</b>    |
| <b>TOTAL</b>              | <b>34,464,095</b> | <b>33,622,900</b> | <b>841,195</b>   | <b>2.5%</b>    |
| <b>Import/Export</b>      |                   |                   |                  |                |
| Imports                   | 27,402,262        | 26,508,739        | 893,523          | 3.4%           |
| Exports                   | 4,898,276         | 4,582,754         | 315,522          | 6.9%           |
| Transshipment             | 2,064,427         | 2,423,236         | (358,809)        | (14.8) %       |
| Restows                   | 99,130            | 108,170           | (9,040)          | (8.4) %        |
| <b>TOTAL</b>              | <b>34,464,095</b> | <b>33,622,899</b> | <b>841,195</b>   | <b>2.5%</b>    |
| <b>Set Target 2022/23</b> | <b>34,635,000</b> |                   | <b>(170,905)</b> | <b>(0.5) %</b> |

**MANAGEMENT DISCUSSION AND ANALYSIS ON PORT PERFORMANCE (Cont'd)**

Non-containerised cargo recorded a decline of 0.45 million MTs or -2.4%. Containerised cargo increased to 16.7 million MTs compared to 15.4 million MTs recorded in the previous year, an increase of 1.3 million MTs or 8.4%. The increase was attributed to significant increase in both imports and export of containerized cargo mainly driven by increased storage revenues, higher throughput from increased economic activities in transit markets and favourable foreign exchange.

Performance overview by broad categories is shown below:

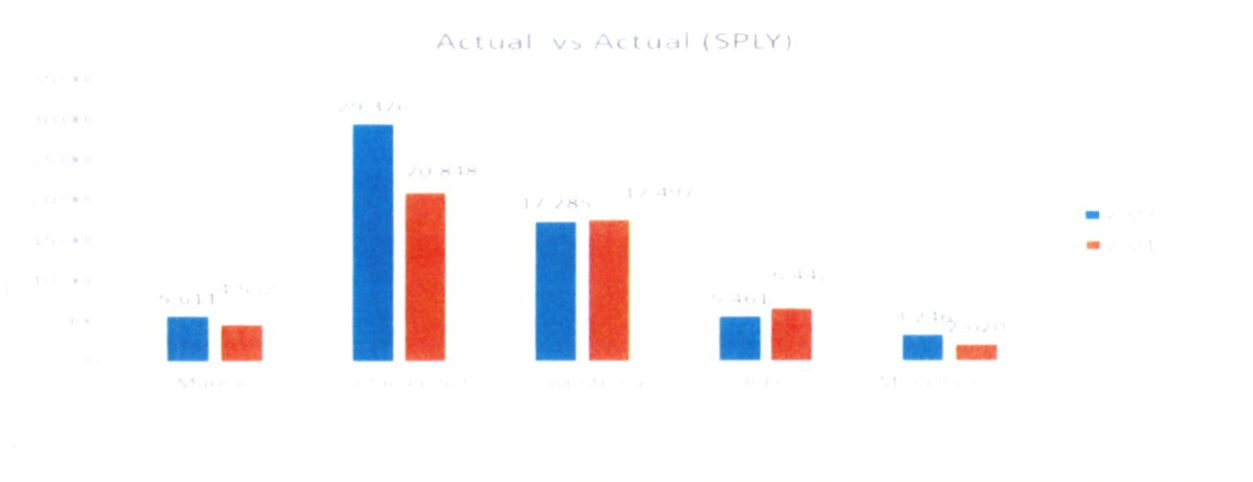
- **Imports:** Increased from 26.5 million MTs in FY2021/2022, to 27.4 million MTs in the reporting period representing an increase by 0.89 million MTs or 3.4%.
- **Exports:** recorded an increase from 4.58 million MTs in FY2021/2022 to 4.89 million MTs recorded in the reporting period, representing a volume increase of 0.31 million MTs or 6.9%.
- **Transshipments:** recorded a decrease in volume posting 2.06 million MTs of cargo in the period under review compared to 2.42 million MTs handled in the corresponding period in FY2021/2022 reflecting a decrease by 0.36 million MTs or -14.6%.
- **Restows:** recorded a decrease in volume posting 99,130 MTs of cargo in the period compared to 108,170 MTs handled in the corresponding period in FY2021/2022 reflecting a decrease by 9,040 MTs or -2.5%.

**5.0 Revenue Overview**

**5.1 Revenue Performance**

Revenue performance during the current period recorded KES 60,979 million compared to KES 51,359 million recorded during the same period last year. This reflected an increase by KES 9,620 million or 19%. The performance was also above the budgeted figure of KES 54,369 million by KES 6,610 million.

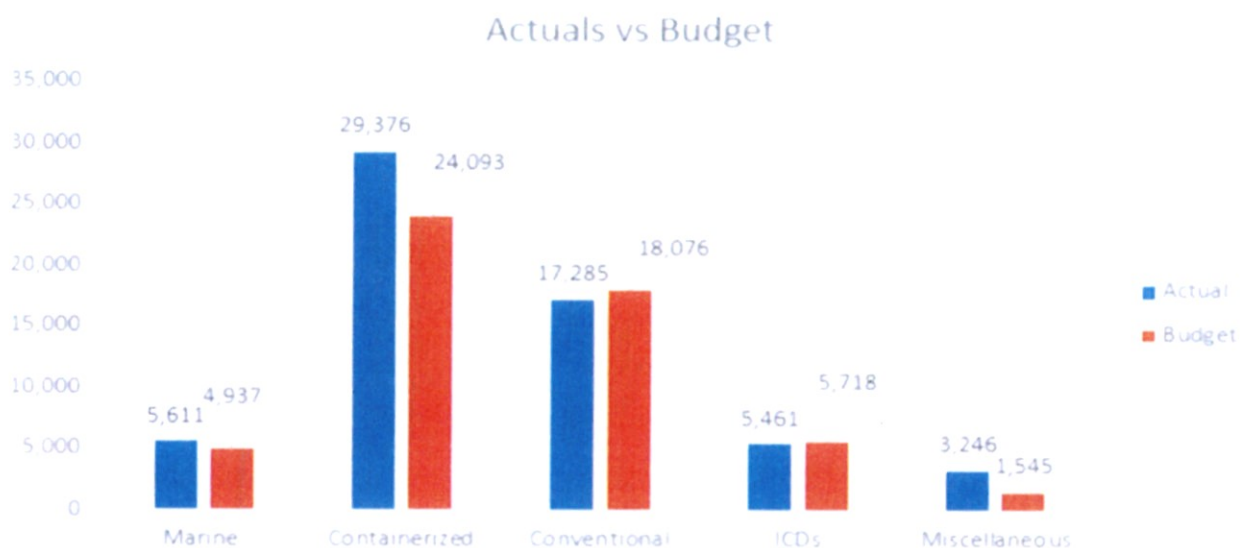
Throughput increased by 2.5% compared to same period last year and revenue increased by 19%. The increase in revenue was mainly due to favourable foreign exchange and the product mix where there was growth in high margin services. The containerised segment grew by 8.4% year on year while conventional cargo declined by 2.4%.



**MANAGEMENT DISCUSSION AND ANALYSIS ON PORT PERFORMANCE (Cont'd)**

**5.2 Actual versus Budget**

The performance was significantly above the budget mainly due increased throughput and favourable exchange rate. The exchange rate for budget was at KES 120 to 1 USD, however, the rates fluctuated up to an average of KES 139 to 1 USD in June.



**5.3 The total vessel calls trend for the last five years**

|                               | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 |
|-------------------------------|---------|---------|---------|---------|---------|
| <b>No. of Ships (Mombasa)</b> | 1,609   | 1,661   | 1,675   | 1,555   | 1,734   |

|                            | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 |
|----------------------------|---------|---------|---------|---------|---------|
| <b>No. of Ships (Lamu)</b> |         |         |         | 12      | 8       |

## MANAGEMENT DISCUSSION AND ANALYSIS ON PORT PERFORMANCE (Cont'd)

## 6.0 Total Expenditure KES 44,337 million

## Expenditure Performance Overview

Expenditure recorded during the period under review was KES 44,337 million. This was slightly higher than the budgeted figure of KES 42,495 million resulting to unfavourable variance of KES 1,842 million. It is also higher than last year's corresponding period expenditure of KES 40,211 million.

## Expenditure Per Classes Performance

The major changes recorded were 43% and 28% from cost of employment & depreciation & amortization. Expenditure on cost of employment increased majorly due to overtime payments while that of Depreciation & Amortization cost increase was due to acquisitions of crafts for Lamu and capitalisations of complete projects.

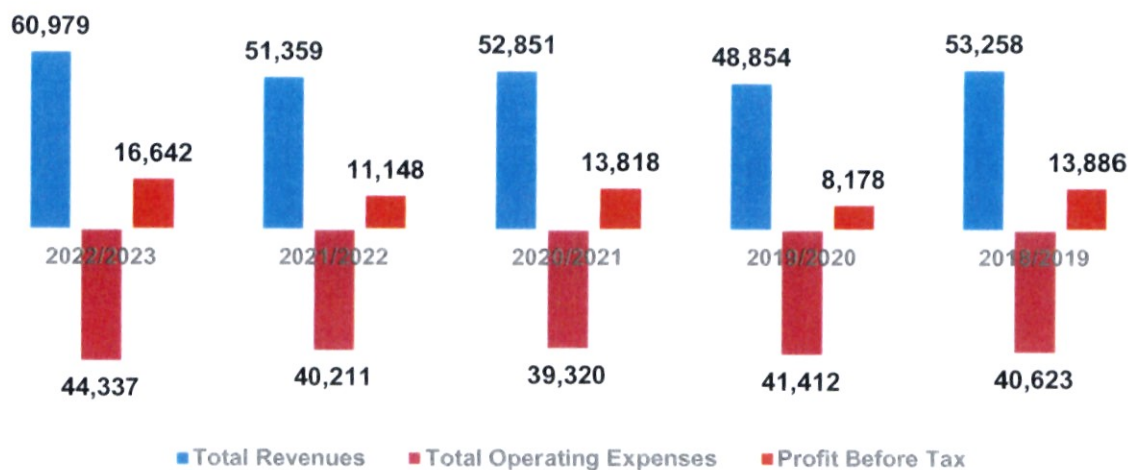
## 7.0 Profit Before Tax: KES 16,642 million

A profit of KES 16,642 million was registered in the reporting year 2022/2023. This profit was above the budgeted figure of KES 11,874 million. It was also significantly above that reported last year of KES 11,148 million by 49% (restated).

| 5 FY Review of Statement of Profit/Loss |                     |                     |                     |                     |                     |
|-----------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
|                                         | 2022/2023           | 2021/2022           | 2020/2021           | 2019/2020           | 2018/2019           |
|                                         | KES'000             | KES'000             | KES'000             | KES'000             | KES'000             |
| <b>Revenue</b>                          |                     |                     |                     |                     |                     |
| Operating revenue                       | 57,733,206          | 49,338,782          | 52,130,085          | 48,161,579          | 52,758,959          |
| Other Incomes                           | 1,211,129           | 1,300,276           | 720,475             | 692,047             | 498,843             |
| <b>Total Revenue</b>                    | <b>58,944,335</b>   | <b>50,639,058</b>   | <b>52,850,560</b>   | <b>48,853,626</b>   | <b>53,257,802</b>   |
| <b>Operating Expenses</b>               |                     |                     |                     |                     |                     |
| Administrative Expenses                 | (5,465,480)         | (4,367,181)         | (4,429,215)         | (3,995,660)         | (4,044,431)         |
| Establishment Expenses                  | (19,158,645)        | (18,561,900)        | (17,906,332)        | (19,520,491)        | (19,992,244)        |
| Operating Expenses                      | (6,766,761)         | (5,261,844)         | (5,284,137)         | (6,852,267)         | (5,976,959)         |
| Depreciation & Amortization             | (12,376,910)        | (11,889,724)        | (11,700,460)        | (11,043,683)        | (10,609,168)        |
| <b>Total Operating Expenses</b>         | <b>(43,761,796)</b> | <b>(40,080,649)</b> | <b>(39,320,144)</b> | <b>(41,412,101)</b> | <b>(40,622,802)</b> |
| <b>Operating Profit</b>                 | <b>15,182,539</b>   | <b>10,558,409</b>   | <b>13,530,416</b>   | <b>7,441,525</b>    | <b>12,635,000</b>   |
| Finance Income                          | 265,568             | 166,878             | 167,636             | 1,310,374           | 2,187,175           |
| Finance Cost                            | (526,201)           | (130,012)           | (139,910)           | (135,164)           | (166,309)           |
| Impairment (loss)/Gain                  | (43,092)            | 55,071              | (243,118)           | (218,888)           | (646,129)           |
| Other Gain/(Loss)                       | 1,769,412           | 497,906             | 502,796             | (219,739)           | (124,232)           |
| <b>Profit Before Taxation</b>           | <b>16,642,226</b>   | <b>11,148,252</b>   | <b>13,817,820</b>   | <b>8,178,108</b>    | <b>13,885,505</b>   |

## MANAGEMENT DISCUSSION AND ANALYSIS ON PORT PERFORMANCE (Cont'd)

## 5-Performance overview (KES 'M)

**8.0 Financial Position KES 346,992 million**

Total assets grew from KES 338,377 million in July-June 2021/22 to KES 346,992 million in 2022/23 resulting to an increase of 2.5%. This was occasioned by additions/capitalisation of new assets.

**8.1 Non-Current Assets KES 313,642 million**

Non-current assets amounted to KES 313,642 million during the period, up from KES 307,232 million reported in the comparative period. The increase of 2% is attributed to additions of new assets.

**8.2 Current Assets KES 33,350 million**

Current assets stood at KES 33,350 million compared to KES 31,144 million recorded last year, an increase of (7%).

**8.3 Receivables and Prepayments KES 22,596 million**

Receivables were KES 22,596 million as at close of the year, compared to KES 24,009 million for the comparative period.

**8.4 Cash & Cash Equivalents KES 8,369 million**

Cash in bank & at hand amounted to KES 8,369 million during the period under review compared to KES 4,263 million recorded during the comparative period.

**MANAGEMENT DISCUSSION AND ANALYSIS ON PORT PERFORMANCE  
(Cont'd)****8.5 Current Liabilities KES 12,932 million**

The balance as at the end of the current period was KES 12,932 million up from KES 12,408 million reported last year.

**8.6 Borrowings KES 60,712 million**

**JICA Loan 1 (KE-P25, KE-P25A)** - Japan International Cooperation Agency funded the implementation of the Mombasa Port Development Project phase I. The principal value of the loan is JPY 26,711 million, interest rate is 0.2% paid per annum paid semi-annually. The loan disbursements were completed in 2017. Total amounts disbursed was JPY 26,329 million translated to KES 24,359 million as at 30<sup>th</sup> June 2017. The Loan repayment is thirty (30) years, semi-annually on 20<sup>th</sup> May and 20<sup>th</sup> November. The loan repayment commenced on 20<sup>th</sup> November 2017 and the last instalment will be repaid on 20<sup>th</sup> November 2047. The loan was for the purchase of goods and services from suppliers and contractors of civil works & building, equipment, and consultancy and related items to facilitate the implementation of the Mombasa Port Development Project Phase I (berth 20 and 21). On 15 April 2020, the G20 together with the Paris club announced Debt Service Suspension Initiative (DSSI) to assist developing countries tackle Covid 19. Following GoK application to the Paris club and in line with DSSI, JICA temporary suspended the obligation from 1<sup>st</sup> January 2021 to 31<sup>st</sup> December 2021 and did not issue any invoices for the May 2021 and November 2021 instalments. A total of JPY 863Million translating to KES 849 million was deferred. Upon conclusion of the exchange of notes between JICA and GoK, it was agreed that the deferred portion be paid in equal semi-annual instalments every 15<sup>th</sup> June and 15<sup>th</sup> December at an interest rate of 0.8% p.a. Repayment resumed in December 2022. By 30<sup>th</sup> June 2023, the outstanding balance of the loan was JPY 21,913.4million translating to **KES 21,444.4 million**. This is inclusive of the deferred portion which stands at JPY 769 million translating to KES 753 million.

**JICA Loan 2 (KE-P30)** - Japan International Cooperation Agency funded the implementation of the Mombasa Port Development Project phase II. The Loan agreement became effective on 24<sup>th</sup> August 2016. The purpose of the loan is to purchase goods and services from suppliers and contractors of civil works and building, equipment. Security systems and consultancy to facilitate the implementation of the MPDP Phase II. The principal value of the loan is JPY 32,116 million. As of 30 June 2023, the total disbursed amount, and the outstanding balance for JICA loan was JPY 31,971 million translated to **KES 31,287 million**. The final disbursement shall be made not later than 24<sup>th</sup> August 2023. The Loan repayment will be for thirty (30) years, paid semi-annually on 20<sup>th</sup> March and 20<sup>th</sup> September commencing on 20 March 2025 to 20 March 2055 at an interest rate is 0.1% per annum.

**JICA Loan 3 (KE-P35)** - Japan International Cooperation Agency is funding the implementation of the Mombasa Special Economic Zone at Dongo Kundu. The loan agreement for the JPY 37.09 billion between the Government of Japan and Kenya was signed on 27<sup>th</sup> February 2020. As at 30<sup>th</sup> June 2023, a total of JPY 525 million translated to KES 514 million had been disbursed.

**MANAGEMENT DISCUSSION AND ANALYSIS ON PORT PERFORMANCE  
(Cont'd)**

**Stanbic Loan 1** – the loan from Stanbic Bank Ltd is for the operationalisation of the first three Berths of Lamu Port specifically completion of construction and procurement of marine equipment. The Loan agreement became effective on 5<sup>th</sup> April 2022 for the sum of USD 63 million. The loan tenure is 8 years with a grace period of 24 months after the agreement date. Repayment commences six months after the expiry of the grace period date and will be in equal semi-annual instalments. Interest rate will be determined by the prevailing market rate (SOFR) at the time of repayment plus a margin of 3.55% per annum. The last repayment will be on 5<sup>th</sup> April 2030. As at 30<sup>th</sup> June 2023, a total of USD 45 million equivalent to **KES 6,343 million** had been disbursed.

**Stanbic Loan 2** - The Loan agreement became effective on 26<sup>th</sup> July 2022 for the sum of USD 39.9 million. The purpose of the loan is to finance the purchase of four (4) rubber tyred gantries and three (3) ship to shore gantries for Lamu Port. As at 30<sup>th</sup> June 2023, a total of USD 8 Million translated to **KES 1,124 million** had been disbursed.

**8.7 Dividends Payment to National Treasury**

During the year, the Authority remitted KES 1,745 million to the National Treasury as Special Dividends following a directive on budget cuts. Further, dividends amounting to KES 731 million, KES 277 million and KES 587 million for the years 2018/2019, 2019/2020 and 2020/2021 respectively were also paid. The dividends for the year 2021/2022 amounting to KES 576.4 million will be paid during the year 2023/2024. The Dividend obligation for the year ended 30<sup>th</sup> June 2023 is KES 899.5 million and will be paid subject to the approval by the board.

**8.8 Directors' fees**

Directors are paid fees at the rate of KES 50,000 per Director per month, subject to approval by the National Treasury, upon completion of the audit of the Annual Report & Financial Statements for the relevant year. Approvals have not been received for payment of the fees for the last 9 years; 2013/2014 to 2021/2022 totalling to KES 53.4 million. The provision for the directors' fees for the year 2022/2023 is KES 6 million.

**8.9 JICA Grant for Mombasa Special Economic Zone Grant Number 1960360**

The grant agreement was signed on 16<sup>th</sup> June 2022 for JPY 6 billion.

## MANAGEMENT DISCUSSION AND ANALYSIS ON PORT PERFORMANCE (Cont'd)

| 5 FY Review of Statement of Financial Position |                    |                    |                    |                    |                    |
|------------------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
|                                                | 2022/2023          | 2021/2022          | 2020/2021          | 2019/2020          | 2018/2019          |
| <b>ASSETS</b>                                  |                    |                    |                    |                    |                    |
| <b>Non-Current Assets:</b>                     | <b>KES'000</b>     | <b>KES'000</b>     | <b>KES'000</b>     | <b>KES'000</b>     | <b>KES'000</b>     |
| Property Plant and Equipment                   | 310,310,393        | 304,367,934        | 278,119,616        | 267,063,658        | 241,554,138        |
| Assets Held for Sale                           | 324,319            | 237,993            | 0                  | 400                | 11,618             |
| Intangible Assets                              | 1,348,295          | 811,788            | 987,687            | 1,205,422          | 1,151,296          |
| Leased Property                                | 602,154            | 916,728            | 648,215            | 671,246            | 717,063            |
| Long Term Investment                           | 1,056,914          | 1,048,283          | 1,035,690          | 1,396,168          | 1,748,887          |
| <b>Total non- current Assets</b>               | <b>313,642,075</b> | <b>307,232,726</b> | <b>280,791,208</b> | <b>270,336,894</b> | <b>245,183,002</b> |
| <b>Current Assets:</b>                         |                    |                    |                    |                    |                    |
| Inventories                                    | 689,110            | 584,735            | 443,609            | 495,536            | 404,813            |
| Receivables & Prepayments                      | 22,595,500         | 24,008,706         | 19,881,232         | 17,377,585         | 15,946,216         |
| Tax paid in advance                            | 1,696,031          | 2,287,941          | 265,685            | 2,388,639          | 0                  |
| Short term deposits                            | 6,700,789          | 840,860            | 374,054            | 1,167,706          | 25,099,818         |
| Bank and Cash balances                         | 1,668,566          | 3,422,167          | 2,459,942          | 3,003,068          | 859,114            |
| <b>Total Current Asset</b>                     | <b>33,349,996</b>  | <b>31,144,049</b>  | <b>23,424,522</b>  | <b>24,432,534</b>  | <b>42,309,961</b>  |
| <b>TOTAL ASSETS</b>                            | <b>346,992,071</b> | <b>338,377,135</b> | <b>304,215,730</b> | <b>294,769,428</b> | <b>287,492,963</b> |
| <b>EQUITY AND LIABILITIES</b>                  |                    |                    |                    |                    |                    |
| Revaluation Reserves                           | 78,066,325         | 85,791,507         | 93,784,610         | 103,132,900        | 111,646,031        |
| General reserves                               | 128,408,508        | 127,987,575        | 97,076,196         | 80,874,208         | 90,620,573         |
| Grants                                         | 8,608,913          | 8,895,947          | 2,015,030          | 3,468,561          | 5,318,100          |
| <b>Total Capital and Reserves</b>              | <b>215,083,746</b> | <b>222,675,029</b> | <b>192,875,836</b> | <b>187,475,669</b> | <b>207,584,704</b> |
| <b>Non -Current Liabilities</b>                |                    |                    |                    |                    |                    |
| GOK Project Funds                              | 48,150,157         | 47,850,157         | 43,386,157         | 37,386,157         | 27,386,157         |
| Borrowings                                     | 59,690,103         | 47,784,967         | 39,919,684         | 39,070,959         | 32,729,833         |
| Deferred tax liability                         | 5,219,441          | 4,618,196          | 7,310,667          | 6,650,083          | 5,231,256          |
| Retirement Benefit Liability                   | 5,916,600          | 3,041,000          | 3,576,200          | 3,106,800          | 786,300            |
| <b>Total Non -Current Liabilities</b>          | <b>118,976,301</b> | <b>103,294,320</b> | <b>94,192,708</b>  | <b>86,213,999</b>  | <b>66,133,546</b>  |
| <b>Current Liabilities</b>                     |                    |                    |                    |                    |                    |
| Borrowings                                     | 1,021,691          | 1,492,345          | 1,258,939          | 857,934            | 820,134            |
| Trade and other payables                       | 11,375,133         | 10,380,241         | 15,353,047         | 14,736,626         | 11,212,048         |
| Retirement Benefit Liability                   | 535,200            | 535,200            | 535,200            | 535,200            | 535,200            |
| GoK Special Dividends Payable                  | 0                  | 0                  | 0                  | 4,950,000          | 0                  |
| Current Tax payable                            | 0                  | 0                  | 0                  | 0                  | 1,207,331          |
| <b>Total Current Liabilities</b>               | <b>12,932,024</b>  | <b>12,407,786</b>  | <b>17,147,186</b>  | <b>21,079,760</b>  | <b>13,774,713</b>  |
| <b>TOTAL EQUITY AND LIABILITIES</b>            | <b>346,992,071</b> | <b>338,377,135</b> | <b>304,215,730</b> | <b>294,769,428</b> | <b>287,492,963</b> |

## **ENVIRONMENTAL AND SUSTAINABILITY REPORTING**

The Authority exists to transform lives. This is our purpose; the driving force behind everything we do as per the Vision 2023 flagship projects and the Strategic Plan implementation matrix. It's what guides us to deliver our strategy, putting the customer/citizen first, delivering relevant services and operational excellence.

In line with Kenya being a signatory to the UN, KPA, through its Strategic plan 2023-2027, has pledged its commitments to attainment of the Sustainable Development Goals (SDGs), comprehending the significant role it plays particularly with reference to SDGs 8, 9, 13, 14 and 17. These prioritize sustainable industrialization, infrastructure, a commitment to providing decent work and economic opportunities, whilst taking cognizance of the industries impact on life below water, climate action and change, and the necessity for collaboration and partnerships in order to achieve the SDGs.

Analysis of KPA's impact on sustainability is currently being undertaken with the review and impact assessment of the Green Port Policy and periodic audits of Risk Management through its implemented ISO 9001:2015 Quality management System. The Authority is however committed to the development of a Sustainability Framework, which will help it consolidate the analysis and reporting of its sustainability impacts and embedding best practices undertaken in Kenya and globally such as the ESG standards, in line with the Global Reporting Initiatives.

KPA's current sustainability efforts are focused on;

- Risk Management Framework
- Environmental performance
- Employee Welfare
- Market Place Practice
- ICT Improvements and Solutions
- Corporate Social Investments
- Sports

Below is an outline of the activities that promote sustainability.

### **A. Risk Management Framework**

#### **Enterprise Risk Management Statement**

The Authority has adopted ISO 31000:2018 Risk Management guidelines and includes the Committee of Sponsoring Organizations' (COSO) control activities. This ensures that the Authority aligns with best practice in managing risks and fosters proactive risk identification, assessment, mitigation and continuous monitoring across the business. The Enterprise Risk Management Framework enables the Authority to manage and report its strategic and operational risks in a consistent way. The Authority remain committed in ensuring improved customer experience and facilitating regional trade while proactively and systematically managing risk.

**ENVIRONMENTAL AND SUSTAINABILITY REPORTING (Cont'd)**

**Risk Management (Cont'd)**

**Risk Management Governance**

The Board takes the overall responsibility for managing risk. A Risk Management Committee is in place to oversee the implementation of policies approved by the Board. The Risk Management Framework enables the Management a clear and an informed Risk-Based decision making. The Authority continues to be committed to robust risk management practices as an integral part of good corporate governance.

**Principal Risks**

Principal risks are identified through Enterprise Risk Management Framework, thus providing the Board and Risk Management Committee with a current assessment of the key risks facing the Authority. These risks are identified through an integrated iterative enterprise risk management process.

With a focus on risks that may impact the achievement of the Authority’s objectives as per the Strategic Planning period, 2023-2027, the risks identified were categorized and ranked as follows:

| No. | Strategic Risk Categorization              | Ranking |
|-----|--------------------------------------------|---------|
| 1.  | Customers and Stakeholder Experience Risks |         |
| 2.  | Operational Risks                          |         |
| 3.  | Safety, Health and Environment Risks       |         |
| 4.  | Financial Risks                            |         |
| 5.  | ICT and Information Security Risks         |         |
| 6.  | Compliance and Governance Risks            |         |
| 7.  | Human Capital Risks                        |         |

The following is the Authority’s Risk Assessment Heat-Map Dashboard of the identified strategic risks.

|               |                 |                               |                 |                 |               |                |   |    |
|---------------|-----------------|-------------------------------|-----------------|-----------------|---------------|----------------|---|----|
| <b>Impact</b> | <b>Critical</b> | 5                             | 10              | 15              | 20            | 1              | 2 | 5  |
|               | <b>High</b>     | 4                             | 8               | 12              | 3             | 4              | 5 | 12 |
|               | <b>Moderate</b> | 3                             | 6               | 9               | 6             | 7              |   |    |
|               | <b>Low</b>      | 2                             | 4               | 6               | 8             |                |   | 10 |
|               | <b>Minor</b>    | 1                             | 2               | 3               | 4             |                |   | 5  |
|               |                 | <b>Rare</b>                   | <b>Unlikely</b> | <b>Possible</b> | <b>Likely</b> | <b>Certain</b> |   |    |
|               |                 | <b>Likelihood/Probability</b> |                 |                 |               |                |   |    |

**ENVIRONMENTAL AND SUSTAINABILITY REPORTING (Cont'd)**

**Risk Management (Cont'd)**

The risks and their mitigation measures/recommendations are classified according to the strategic objectives as shown in the table below;

| No. | Strategic Objective                  | Risk and Description                                                         | Gross Risk Rating | Risk Mitigation Strategies/ Measure(s)                                                                                                                                                                                                                                                                                    |
|-----|--------------------------------------|------------------------------------------------------------------------------|-------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1   | <b>Improve customer satisfaction</b> | Failure to satisfy/meet customer needs                                       | High Risk         | The Management is continuously engaging customers and other stakeholders by ensuring that they get quality services by employing best practices across all touch points.<br>The Authority is monitoring Service Level Agreements and Standard Operating Procedures to synergize the operations of Port Cargo Interveners. |
| 2   | <b>Improve port efficiency</b>       | Inadequate funding of key projects/initiatives in the Cargo handling process | High Risk         | The Authority aligns the strategic plan initiatives with the risk-based budgeting cycle to utilize internal funding of key projects.<br>The Authority is enhancing resource utilization and productivity by optimizing labour and equipment.                                                                              |
|     |                                      | Technology failure and Cyber-threats                                         | High Risk         | The Authority has invested in robust cyber security controls and Information Security Safeguards against cyber threats.<br>The Management is continuously implementing systems automation strategies to streamline processes, especially in cargo clearance                                                               |
|     |                                      | Security Threats and Terrorism                                               | High Risk         | The Authority has functional security enablement through multiagency collaboration that facilitates continuous intelligence gathering and a proactive response mechanism.                                                                                                                                                 |

## ENVIRONMENTAL AND SUSTAINABILITY REPORTING (Cont'd)

## Risk Management (Cont'd)

| No. | Strategic Objective                                                                               | Risk and Description                                          | Gross Risk Rating | Risk Mitigation Strategies/ Measure(s)                                                                                                                                                                                                                                                                                                                                   |
|-----|---------------------------------------------------------------------------------------------------|---------------------------------------------------------------|-------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 3   | <b>Operational Excellence: Promote a safe and healthy working environment with zero accidents</b> | Unhealthy workforce                                           | High Risk         | The Authority undertakes scheduled and regular (mandatory) health checks for all Operations staff.                                                                                                                                                                                                                                                                       |
|     |                                                                                                   | Low Safety Culture                                            |                   | The Authority conducts continuous targeted safety awareness campaigns aimed at inculcating appreciation of Occupational Safety.                                                                                                                                                                                                                                          |
|     |                                                                                                   | Natural calamities and Spillage or leakage of hazardous cargo | High Risk         | The Authority has Emergency Response Plans (Continuity Plans) and carries out regular monitoring of the Safety, Health, and Environment controls to avert any hazards.                                                                                                                                                                                                   |
|     |                                                                                                   | Supply of unsafe working equipment                            | High Risk         | Management strictly enforces contractual obligations as required by the law on the supply of equipment.                                                                                                                                                                                                                                                                  |
| 4   | <b>Business Growth: Increase profitability</b>                                                    | Reduced revenue and escalation of costs                       | High Risk         | The Authority has initiated the following strategies to ensure securing/growth of revenue and management of costs:<br>-Full operationalization of Lamu Port by 2027/2028<br>-Optimization of revenue through automation of end-to-end billing, review of the tariff and full utilization of idle assets.<br>Implementation of Cost reduction strategies across business. |

## ENVIRONMENTAL AND SUSTAINABILITY REPORTING (Cont'd)

## Risk Management (Cont'd)

| No. | Strategic Objective                                                                                                   | Risk and Description                          | Gross Risk Rating | Risk Mitigation Strategies/ Measure(s)                                                                                                                                                                                                     |
|-----|-----------------------------------------------------------------------------------------------------------------------|-----------------------------------------------|-------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 5   | <b>Business Growth: Increase common transit market</b>                                                                | Failure to meet/satisfy customer needs        | High Risk         | The Authority has conceptualized continuous customer/stakeholder engagement by employing best practices across all customer touchpoints.                                                                                                   |
|     |                                                                                                                       | Barriers to trade along the Northern Corridor | Medium Risk       | Through the Parent Ministry, the Authority is actively involved in the Regional Partnership Management Framework through bilateral meetings, to identify, analyze, and mitigate non-tariff barriers.                                       |
| 6   | <b>Good Governance: Promote 100% compliance with legal and regulatory requirements and good governance principles</b> | Poor strategy implementation                  | High Risk         | The Authority ensures strategies are effectively implemented through the adoption of result-based performance monitoring and evaluation of all strategic initiatives                                                                       |
|     |                                                                                                                       | Corrupt practices                             | Medium Risk       | The Authority has adopted a collaborative anticorruption approach to deal with graft and enhance integrity and transparency in all processes.<br>The Authority has regular ethics awareness and employee anti-corruption training programs |

**ENVIRONMENTAL AND SUSTAINABILITY REPORTING (Cont'd)**

**Risk Management (Cont'd)**

**Implementation and Certification of ISO Management Systems**

**1. Introduction**

KPA is implementing four Management Systems based on ISO standards as follows;

- i. Quality Management System (QMS) based on ISO 9001 standard
- ii. Information Security Management System (ISMS) based on ISO 27001 standard
- iii. Environment Management System (EMS) based on ISO 14001
- iv. Occupational Health and Safety Management System (OHSMS) based on ISO 45001 standard

The QMS has been certified since 2009. KPA is in the process of seeking certification for the other three management systems.

**i. Quality Management System (QMS)**

KPA had her first Quality Management System (QMS) based on ISO 9001: 2008 certified in 2009. The QMS was successfully recertified in 2012 and 2015. In 2015, the ISO 9001 standard was revised, and certified organizations were required to transition their management systems to meet the requirements of ISO 9001:2015. The KPA QMS transitioned to ISO 9001:2015 certification in 2018. In 2019, KPA commemorated ten years of successfully implementing a QMS. The first recertification under ISO 9001:2015 standard was done in 2021 marking the beginning of the 5th cycle of certification. In 2024, KPA will be beginning the 6<sup>th</sup> certification cycle and marking 15 years of QMS certification.



The efforts to implement a QMS were guided by the government performance contracting guidelines which required all government departments and agencies to implement a certified QMS. The management also saw the implementation of a QMS as a way of improving the efficiency of services provided to the customers to improve their satisfaction.

## **ENVIRONMENTAL AND SUSTAINABILITY REPORTING (Cont'd)**

### **Risk Management (Cont'd)**

#### **ii. Information Security Management System (ISMS)**

The implementation of an ISMS was also a government initiative through performance contracting. The aim was to ensure maintenance of confidentiality, integrity and availability of information within government institutions. KPA Management embraced the implementation of an ISMS to ensure security of its information and information assets. The following activities have been undertaken towards gaining certification to ISMS:

- a) Gap analysis
- b) Capacity building (training of GMs, HODs, Champions and internal auditors)
- c) Documentation and Risk Assessment
- d) Internal Information Security Audit

#### **iii. Environment Management System (EMS) and Occupational Health and Safety Management System (OHSMS)**

KPA in partnership with TradeMark Africa (TMA) has been implementing the Mombasa Resilient Improvement Programme (MRIP). One of the projects in the programme is the implementation of an EMS and an OHSMS.

## **2. Maintenance Activities**

Management Systems maintenance activities includes:

- a) **Continual Improvement** – this includes review and update of the documented information for management systems (QMS, ISMS, EMS and OHSMS). It also includes taking correction and corrective actions for nonconformities raised.
- b) **Quality Assurance** – this includes checking whether the management systems conform to the requirements (standards, documented information and legal) through conducting audits (internal and external) as well as self-assessments.
- c) **Management Review** – This includes periodic reporting to Management on the performance of management system to ensure continued suitability, adequacy and effectiveness.
- d) **Divisional Management Representatives** – These are champions selected from each division to assist in the implementation and monitoring of management systems. They are provided with continuous training to ensure they have the capacity to undertake their duties.

**ENVIRONMENTAL AND SUSTAINABILITY REPORTING (Cont'd)**

**Risk Management (Cont'd)**



These activities are detailed in the work plan, budget and procurement plan for FY 2023-2024. The Quality Assurance and Risk management Coordination Division has mechanisms for monitoring the deliverables for each activity on a monthly and quarterly basis.

**B. Environmental Performance**

KPA's current sustainability efforts are focused on the environmental pillar with environmental sustainability being a priority. With this regard, efforts have been made through the previous and current strategic plans to focus on:

- Adoption and implementation of the Green Port Policy.
- Efforts towards energy conservation and efficient utilization
- An active participation in support of the Blue Economy.
- Implementation of an integrated waste management plan

## **ENVIRONMENTAL AND SUSTAINABILITY REPORTING (Cont'd)**

### **Environmental Performance (Cont'd)**

Further, KPA in partnership with Trademark Africa (TMEA) has been implementing the Mombasa Resilient Improvement Programme (MRIP). One of the projects in the programme is the implementation of ISO 14001 EMS and ISO 45001 OHSMS standards. This will enhance the international status of the Port in line with our vision of being a world class ports of choice and demonstrate environmental stewardship.

TMEA contracted the Kenya Bureau of Standards (KEBS) to assist the Authority in the implementation and certification of the two management systems. The following activities have been undertaken:

- a) Gap analysis
- b) Capacity building (training of GMs, HODs, Champions and internal auditors)
- c) Documentation and Risk Assessment
- d) Staff awareness

On the Green Port Policy (GPP), KPA commits to address the negative impacts of port operations, the policy is geared towards integration of environmental sustainability in port development/operations and significant reduction in greenhouse gas emissions. The policy also focuses on initiatives on climate change mitigation/adaptation, use of renewable energy and recognizes the importance of stakeholders and partners towards achieving its sustainability objectives

Implementation of the policy is undertaken through green projects, Environmental Auditing, restoration of biodiversity conservation, and Compliance programmes.

The GPP is continuously being reviewed and below are some of programmes implemented thus far.

#### **i) Energy Management**

The Authority has invested in energy efficient equipment and alternative green energy as listed below.

- Procurement of hybrid and energy efficient equipment- 28 hybrid RTGs.
- Installation of solar power plants.
- LED Lighting- All offices fitted with LED lighting to replace the existing less efficient and more energy consuming light fittings. A total of 111 out of 114 monopoles' 1000 W High pressure sodium lamps have already been retrofitted with 600 W LED lights.
- Use of energy efficient and environmentally friendly Air Conditioning systems

**Environmental Performance (Cont'd)**



Solar Power Plant



LED YARD LIGHTING



Wind and solar energy lighting



70% Energy saving Air Conditioners

**Environmental Performance (Cont'd)**

**ii) Biodiversity Management**

The Authority has been committing resources towards protection and conservation of both of terrestrial and marine biodiversity through restoration, maintenance and rehabilitation of degraded systems. The following are some of the conservation programmes carried out;

- ICD Naivasha- 100 seedlings planted in the ICD.



- Shimoni Port- 2,000 Seedlings planted in collaboration with Southern Engineering Co. Ltd and the community



**Environmental Performance (Cont'd)**

- Tudor Creek- 2,050 mangrove seedlings planted.



**iii) Waste Management**

The Authority has also developed a waste management strategy/plan which is being implemented in phases. The plan focusses on waste reduction, segregation, collection, appropriate transportation and disposal.

Engagement of firms licensed by NEMA in the management and disposal of solid and sewage waste in compliance with waste management Regulations.

The Authority has started investing on waste segregation infrastructure on in the port with a pilot facility at Container Terminal 2.



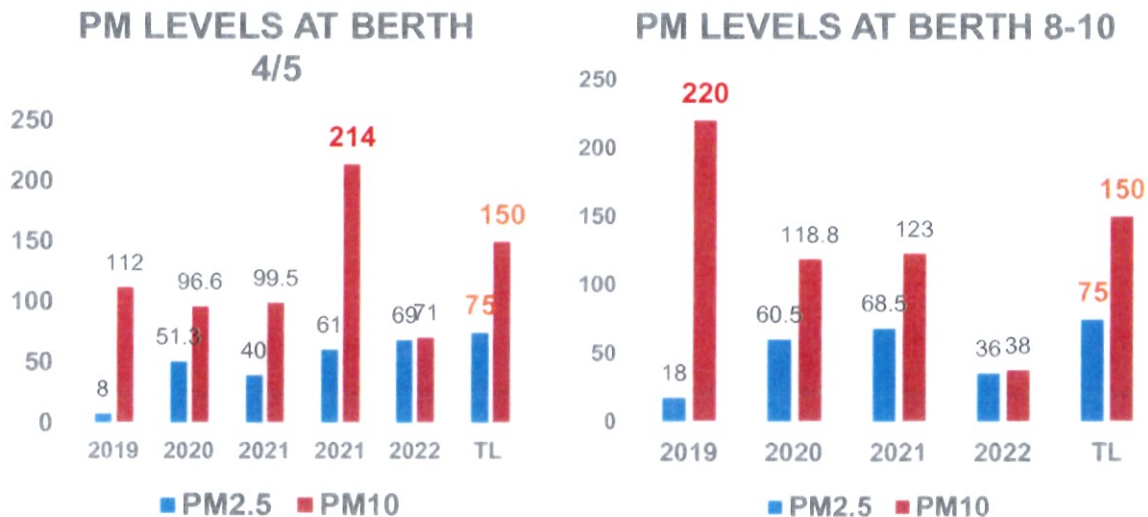
**Environmental Performance (Cont'd)**

**iv) Control of dust emissions**

There are also several efforts to reduce emission related to the handling of bulk cargos at berth 8/10 and berth 4/5. This includes the use of Eco-hoppers and closed conveyor systems.



Air Quality monitoring is also periodically undertaken to record the levels of particulate matter (PM\*) as analyzed below. The results show that the levels are generally with the Tolerance Limits (TL) as per the Air quality regulations.



\*PM 2.5 and PM 10 refers to atmospheric particulate matter (PM) that have a diameter of less than 10 and 2.5 micrometres respectively.

**Environmental Performance (Cont'd)**

**v) Climate Change Initiatives, Reduction of CO2**

The Authority undertook a number of initiatives related to climate change and implemented the following.

- Shore Power for marine vessel. The Tugboats connect to shore power at Dockyard jetty during maintenance which guarantees near zero emission hence reduction of CO2 levels.



Tugboat jetty at dock yard fitted with shore power boxes

- Eco-terracing of hillsides as a climate change adaptation programmes. This has been completed and KPA will now embark on maintenance of the developed hillsides.



**Environmental Performance (Cont'd)**

**vi) ISO 14001 EMS and ISO 45001 OHSMS standards**

Implementation of the Environmental Management systems and Occupational health and Safety management Systems has been ongoing and a lot of progress made by the Authority towards certification in the two standards.

These efforts by the Authority have contributed to the reduction in the cost of electricity consumption, improved health due to reduced pollution, adaptation to climate change and increased forest cover supporting decarbonization.

**C. Employee Welfare**

At the close of the year the staff strength was 6,480 (FY2021/22; 6,755). A total of 298 employees existed while 6 employees were recruited. 48 employees were promoted in the year.

**i) Performance management**

The Authority has in place a Performance appraisal policy, where employees are accorded an opportunity to conduct a self-appraisal before they are appraised by their supervisor. At the end of the year, an employee's overall performance is assessed, and new performance targets set for the next review period. In July 2022, management staff were supported to set their performance objectives (scorecards) wherefore the appraisal documents were uploaded online in SAP in readiness for End of Year Performance Appraisal. As of 30 June 2023, the end of year staff performance appraisal for management staff was ongoing.

**ii) Capacity building on Performance Management**

Training on Performance Management is a continuous process that considers supervisors, newly appointed Balanced Scorecard Champions and staff who are either promoted to management or recruited to fill management positions.

With the takeover of Ferry Operations, the defunct Kenya Ferry staff were trained on the Authority's Performance Management System. A total of 151 staff were trained in November 2022.

**iii) Employee Skills & Competence Development**

The Authority is committed to training and developing all its employees. A total of 60 training programs were conducted for 2,591 staff from 1<sup>st</sup> July 2022 to 30<sup>th</sup> June 2023.

**ENVIRONMENTAL AND SUSTAINABILITY REPORTING (Cont'd)****Employee Welfare (Cont'd)**

The training programs are as listed below:

- Soft skills development
- Strategic leadership and public governance
- Simulation training for Marine Pilots
- Leadership/Managerial /Supervisory Training
- Enterprise Risk Management
- Maritime and Port Security
- Operator skills development
- Professional Development programs
- ISO quality Standards/Compliance training
- Health, Safety & Security Trainings
- Mandatory programs (certifications)
- Sea-time training

However, note that due to Government Austerity Measures and budgetary constraints most of the training programs were not conducted during the 3<sup>rd</sup> and 4<sup>th</sup> Quarter of FY2022/ 2023.

**iv) Disciplinary cases**

Employees are expected to display high standards of conduct, accountability, and ethical behavior at all times to foster a conducive work environment.

The table below shows the cases of employees who were reported to have violated different clauses of the Human Resources Policies & Procedure Manual 2021 and the disciplinary action meted against them during the year under review:

| No. | Description               | Number                                      |
|-----|---------------------------|---------------------------------------------|
| 1.  | Interdiction              | 10 - (ongoing)<br>9 - (interdiction lifted) |
| 2.  | Suspension                | 1 - (ongoing)<br>14 - (suspension lifted)   |
| 3.  | Show Cause Letters issued | 7                                           |
|     | <b>TOTAL</b>              | <b>41</b>                                   |

**v) Internship**

During the year, 50 interns were recruited, 46 successfully completed a one (1) year internship program in the financial year ending 30<sup>th</sup> June 2023.

**vi) Hiring**

As outlined in the KPA HR policy manual (April 2021). The MD declares to the Board all vacant posts within the establishment, which are to be filled substantively, or in an acting capacity. Such declaration originates from the various Heads of Divisions and must be supported by good justification for the recruitment and confirmation that the positions are within the approved establishment.

## **ENVIRONMENTAL AND SUSTAINABILITY REPORTING (Cont'd)**

### **Employee Welfare (Cont'd)**

Consideration is given to promoting candidates from within the Authority for middle management and unionisable grades (KPA4 to KPA10), so as to meet the employee career growth expectations. Senior posts, Job Grade KPA1 to KPA3 are advertised externally in an open, competitive, fair, and merit-based process. A total of 6 employees were recruited in the year.

#### **vii) Gender Ratio**

The Authority is an equal opportunity employer and does not in its recruitment and selection process, discriminate on the basis of gender, race, religion, ethnicity, or any other form of discrimination. The constitutional requirement on mainstreaming of gender and persons with disabilities as stipulated in Article 52 to 57 of the Constitution is observed alongside any other policies issued by the National Cohesion and Integration Commission.

The principles of affirmative action, gender and persons living with disability and national values apply. The Authority observes gender mainstreaming, balance on appointment, promotion and ensures that a minimum of a third (1/3) are of either gender.

#### **viii) Organizational Structure**

The Authority's grading structure is determined by requisite basic academic and professional qualifications, and experience for appointment to the various grades/levels.

The Organizational Structure was developed with an aim to achieve the following:

- (a) To maximize the efficiency and success of the Authority.
- (b) Facilitate working relationships with various sections of the Authority and
- (c) Retain order and command whilst promoting flexibility and creativity.

The translation process culminated in the translation of all staff with subsequent placement on the SCAC approved organizational structure with effect from 1<sup>st</sup> July 2023 following a Board directive.

#### **ix) Labour relations and Collective Bargaining Agreement**

Labour Relations between Kenya Ports Authority and the Dock Workers Union is cordial with an existing recognition agreement. The current agreement has a forum referred to as Joint Industrial Council that deals with matters directly concerning terms and conditions of employment and is envisaged to maintain a satisfactory Union/Management relationship and the settlement of grievances.

The current Collective Bargaining Agreement (CBA 2020/2023) was registered at the Labour Relations Court of Kenya through Certificate of Registration of Collective Bargaining Agreement C.B.A No. E001 of 2022 between the KPA Management and the Dock Workers Union (DWU) and will expire in December 2023.

## **ENVIRONMENTAL AND SUSTAINABILITY REPORTING (Cont'd)**

### **Employee Welfare (Cont'd)**

This will necessitate commencement of negotiations in compliance with the Salary and Remuneration Commission guidelines for Collective Bargaining Agreement to cover four (4) years (2024/27). Currently, Management awaits the Dock Workers Unions proposal to commence deliberations.

The Authority through Joint Industrial Council also embarked on review of its Medical Policy. The item was deliberated upon, and an agreement signed on 1<sup>st</sup> November 2022, implementation commenced with effect from 1<sup>st</sup> January 2023 and a review is underway.

Kenya Ports Authority has continued to uphold Labour Relations Act 2007 where terms and Conditions of employment are negotiated. Management and the Union undertook that there will be no strikes, or lockouts, or any attempt to hinder the operations of the service in respect of any matter under dispute until the full negotiation machinery as laid down has been fully exhausted.

#### **x) Health and Safety**

The Authority is committed to protecting the health and safety of all persons in the port including employees, contractors, customers, port users and visitors. Our focus is having safe work systems, safe and knowledgeable persons, safe working environment, safe and reliable equipment and plant. Our goal is that all people that come to work in the port return home safely every day.

Port workers are exposed to many hazards and risk in the port and therefore we have put in place measures to safeguard their health and safety and achieve "zero harm". A key initiative is having constant training or awareness and sensitizing workers, contractors and visitors and enforcement of safe work practices across board.

The Authority has in place the following provision in compliance with OSHA 2007;

- Sanitation facilities like washrooms, changing rooms, and welfare facilities including canteens. The facilities are located at strategic positions within operation areas (terminal and yards) and office buildings. The Authority contracted cleaning services to ensure the facilities are safe to use.

- First aid services including ambulance service. The Authority has certified First Aiders among the staff fraternity. First aiders are found in all workstations within the jurisdiction of the Authority. The First aiders attend to first aid cases related to physical injuries and sudden ill health. First aid boxes are located at strategic positions in all workstations and are manned by certified first aiders.

- Ambulance services are available to transfer casualties with serious injuries who require medical attention. Port First aid and ambulance services are available to all employees and port users who are injured or taken ill while at work.

## **ENVIRONMENTAL AND SUSTAINABILITY REPORTING (Cont'd)**

### **Employee Welfare (Cont'd)**

- Provision of water. The Authority contracted a private company to desalinate seawater, transport and deliver fresh water to all workstations. Fresh water is available to Employees and port users free of charge.
- Provision of firefighting equipment. Firefighting appliances such portable fire extinguishers, hose reels and so on are found in all buildings. Fire stations are fully equipped with fire engines and rescue tenders to attend to major fires and rescue missions.
- Emergency preparedness. The Authority has Emergency Management Plan (EMP) together with constituent disaster contingency plans to guide response towards disasters.
- Attending to consumer/customer queries on safety and health issues such as inquires on safe handling of hazardous cargoes, use of Personal Protective Equipment (PPEs) and clothing and so on.

Above all, the safety and environment audits, environmental impact assessments are used to measure the levels of implementation of the safety and environment requirements. Furthermore, The Authority is in the process of implementing safety and environment ISO standards i.e., ISO 45001:2018 and ISO 14001: 2015 to help reduce workplace accidents in the workplace and enhance environment sustainability respectively.

#### **xi) MEDICAL SERVICES**

Kenya Port Authority (KPA) runs an in house funded medical scheme to cater for employees and their eligible dependents. The division has two operational units Bandari Clinic in Mombasa being the hub of the division and Nairobi Inland Container Depot Clinic providing care for those in Nairobi. The employees who work outside Mombasa and Nairobi, the Authority offers medical services through a panel of prequalified contracted healthcare providers.

The medical scheme was reviewed on 1<sup>st</sup> November 2022 and the new medical policy implemented on the 1<sup>st</sup> of January 2023 after being approved by the KPA Board and control measures instituted to ensure sustainability of the scheme.

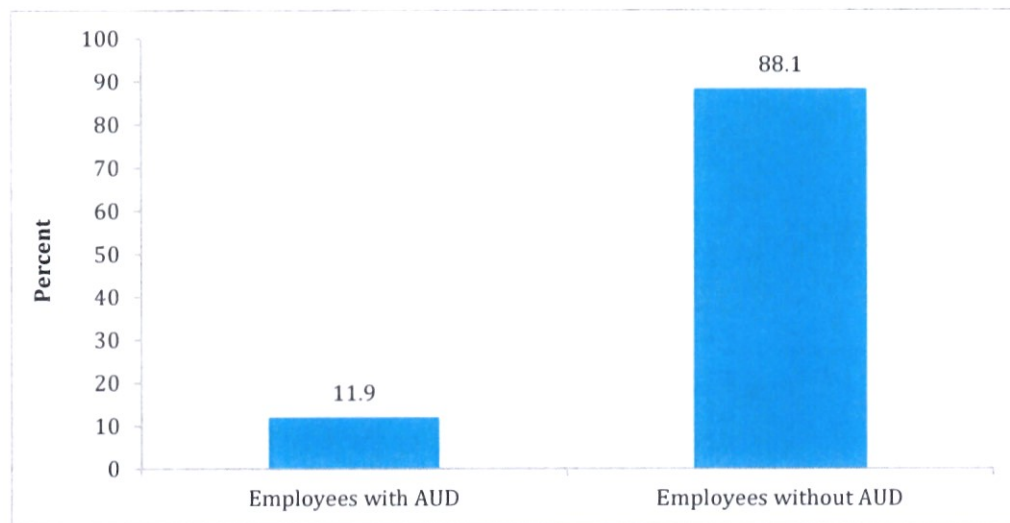
#### **xii) WORKPLACE PREVENTIVE PROGRAMS**

KPA has various preventive programs that assist employees prevent themselves from minor and major communicable and non-communicable diseases including mental health. These programs include: Alcohol and Drug Abuse (ADA), HIV & AIDS and Employee Assistance programs.

**ENVIRONMENTAL AND SUSTAINABILITY REPORTING (Cont'd)**

**Employee Welfare (Cont'd)**

- **Alcohol and Drug Abuse (ADA):** ADA in the workplace has the potential to negatively affect health, safety, employee performance and productivity which result in low output in organizations.



- **HIV & AIDS Program**

This comprises HIV counseling and testing, Antiretroviral treatment and treatment for opportunistic infections for employees found to have such challenges of health. There are psychosocial support groups among employees who live positively with the disease.

- **Employee Assistance Programs (EAP)**

During the EAP activities, the division conducts a biannual Health week where various activities are carried out to include anthropometric studies (weight, height, BMI), blood pressure taken, ECG, screening for cancer, diabetes, hypertension, ophthalmology, Bone density, Neuropathy, Nutritional Counseling, Dental check-up and mental Health assessment and counseling.

## **ENVIRONMENTAL AND SUSTAINABILITY REPORTING (Cont'd)**

### **D. Market Place Practice**

#### **i) Responsible competition practices**

KPA is desirous to ensure its seaports and peripheral facilities are competitive and at the same time adhere to existing policies and legal statutes in place that govern competition practices. These include but are not limited to, the Constitution of Kenya 2010, the Leadership and Integrity Act 2012, the KPA code of conduct and the National Ethics and Anti-corruption policy.

The Authority has adopted a risk-based approach in mitigating integrity and unethical practices. The Approach is consistent with ISO-37001 Anti-Bribery Management System, which the Authority is working towards.

In FY2022/2023 the Authority implemented risk-based measures including Ethics and Integrity risk assessment, integrity wellness checkups, establishing structures that buttress the implementation of corruption prevention plans and adoption of risk-based training and policies. Additionally, Service level agreements with several business partners are continually being developed.

As we look forward to Financial Year 2023/24, Management will roll out risk-based trainings on provisions of the Ethics & Integrity policies in force and finalize the review of ethics and integrity risk assessment in all Divisions among other initiatives.

#### **ii) Responsible Supply Chain and Suppliers relations**

Management endeavors to achieve the highest degree of professionalism, transparency, legal compliance, and value for money in the procurement processes. During the year an in-house training model was adopted for all Procurement staff. Procurement Professional Bodies and Government Regulatory Bodies like PPRA, EACC and Kenya Institute of Supplies Management were invited to come in and train staff on compliance to the Public Procurement Act and Regulation's among other professional and ethical issues. The Authority has developed a draft policy on procurement which is at stakeholder engagement stage.

The Authority is committed to Buy Kenya Build Kenya Initiative and has allocated more procurement opportunities for locally produced goods, works and services to sustain this drive. Some of the items already procured under this initiative includes various civil works within the Port, Cleaning Services, Security Services, Detergents, Printing Services, Food Stuffs, Provision of Bus Transport Services, Repair and Fabrication of Port Equipment and Appliances. Motor Vehicles, Uniforms and Shoes which are partially stitched and or assembled in Kenya are included in this Category since Buy Kenya Build Kenya Initiative focuses on items where goods and services are wholly produced in Kenya using local inputs or where the goods and services are not wholly produced in Kenya using local inputs but have undergone a substantial transformation of value addition of at least 35% (as per EAC and COMESA rules).

Further, the Authority as guided by the Public Procurement and Asset Disposal Act, 2015 (Revised 2022), and the Performance Contract reserved 40% of the procurement budget equivalent to KES 16.5 billion for procurement of locally produced goods, works and services. The Authority allocated KES. 6.24 billion for Buy Kenya Build Kenya Initiative.

**ENVIRONMENTAL AND SUSTAINABILITY REPORTING (Cont'd)****MARKET PLACE PRACTICE (Cont'd)**

In FY2022/2023, KES 2.35 million was allocated to the Preference Groups. Procurements worth KES 2.149 billion was awarded to this target group as shown below;

| Category     | TARGET FOR FY2022/23<br>(KES' Million) | Actual<br>(KES' Million) |
|--------------|----------------------------------------|--------------------------|
| Youth        | 1,151.5                                | 1,059.03                 |
| Women        | 1,151.5                                | 1,004.90                 |
| PWD          | 47.0                                   | 85.79                    |
| <b>Total</b> | <b>2,350.0</b>                         | <b>2,149.73</b>          |

Additionally, the Authority put in place a Contract implementation Teams (CIT) to manage all the major contracts. The CIT mandates include regular review and monitoring of contractor performance, addressing contractor concerns and reporting to management for information and further guidance. Most contracts have suffered logistical challenges caused by the after COVID effects and the depreciating Kenya Shillings. This has on many occasions led to delayed deliveries and suppliers requesting for contract variations. About 5 KPA Tender decisions were appealed against at the PPARB and 3 were taken to the High Court. KPA was not adversely mentioned. However, areas of improvement were identified and will be recertified.

Key Procurements undertaken during the year include the following:

| Tender No.          | Description                                                                                                                                 | Remarks                                                                        | Key Highlights                                                                                                                                          |
|---------------------|---------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------|
| KPA/007/2022-23/TE  | Consultancy services for the Design, Construction Delivery, Testing and Commissioning of Gantry Cranes                                      | Awarded to M/s Zpojawa Consulting Engineer at USD. 1.921 million VAT Inclusive | The Consultant was appointed to Provide Quality Assurance Services for The Design, Construction, Delivery, Testing & Commissioning of New Gantry Cranes |
| KPA/0292022-23/ME   | Supply and Commissioning of One (1) Mooring Boat for Lamu Port                                                                              | Awarded to M/s Kenya Shipyard Ltd at USD.2.04 million VAT Exclusive            | To Provide More Equipment for Lamu Operationalization.                                                                                                  |
| KPA/034/2022-23/ME  | Supply, Testing and Commissioning of One (1No.) New Multipurpose Boat                                                                       | Awarded to M/s Kenya Shipyard Ltd at USD.8.07 million DDP VAT Exclusive        | To Provide More Equipment for Lamu Operationalization.                                                                                                  |
| KPA/063/2022-23/PDM | Consultancy services for Design Review and Construction Supervision of the proposed widening of Port Road from Gantry workshop to get 18/20 | Awarded to M/S East African Engineering Consultants Ltd at KES 103,675,000     | To put in place Designs for the Project and be involved in project supervision.                                                                         |

## ENVIRONMENTAL AND SUSTAINABILITY REPORTING (Cont'd)

## MARKET PLACE PRACTICE (Cont'd)

| Tender No.           | Description                                                                                           | Remarks                                                                      | Key Highlights                                                                                                                                                                                                                           |
|----------------------|-------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| KPA/097/2022-23/TE   | Supply Testing and Commissioning of 4No. ECH (Reachstacker type)                                      | Awarded to M/s Powerparts (K) Ltd at USD 1.227 million VAT Inclusive         | To Provide More Equipment for Operational efficiency.                                                                                                                                                                                    |
| KPA/120/2022-23/CO   | Design, Development Implementation and Commissioning of an Operations control centre (OCC) for KPA    | Awarded to M/s Pharmaken Ltd at KES 2.141 million VAT Inclusive              | The Operations Control Centre (OCC) will ensure the functionality of the Terminal Operating System (TOS) and will also enable spot-on monitoring & control of operations and provision of information to improve operational efficiency. |
| KPA/131/2022-23/PDM  | Provision of consultancy services for the proposed Dongo Kundu Resettlement Site Development          | Awarded to M/s Nippon Koei Co. Ltd at USD 2.9 million, JPY 90 million        | This is Part of the JICA Funding Programs for Dongo Kundu SEZ                                                                                                                                                                            |
| KPA/138/2022-23/ICDN | Design, Manufacture, Testing and Commissioning of one (1) fully built Rail Mounted Gantry Crane (RMG) | Awarded to M/s Henan Weihua Heavy Machinery Co. Ltd at USD 2.298 million CIF | To Provide More Equipment for Operational efficiency.                                                                                                                                                                                    |

Lastly, the Authority has in place a Cash Management policy that ensures adequate liquidity at all times to guarantee timely settlements of obligations while maintaining minimal level of idle funds as guided by various Government circulars and PFM Act.

### iii) Responsible Marketing and advertisement

KPA adheres to ethical marketing practices by committing itself to open, transparent, responsible, and fair practices as it endeavours to engage customers, develop business and collaborate with stakeholders. We ensure our brand's offering and advertisement is aligned with cultural and religious observances, email contacts for customers are held with confidentiality with control exercised to avoid sending unsolicited updates on given topics and, in the age of social media, skirt away from trending topics not related to business to avoid scrutiny in the industry. KPA also incorporates stakeholders' input in making operational and executive policy decisions in line with its Stakeholder Management Framework to build trust and ensure seamless end to end service delivery.

## **ENVIRONMENTAL AND SUSTAINABILITY REPORTING (Cont'd)**

### **MARKET PLACE PRACTICE (Cont'd)**

#### **iv) Product Stewardship**

KPA has a mandate to improve services and exceed customer expectations. Our Customer Service Charter is geared at adopting best practices for the benefit of our customers, stakeholders and general public.

The purpose of the Customer Service Charter is for the KPA to build a closer relationship with its customers and to show its commitment to providing services and facilities to the satisfaction of its customers.

We undertake to;

- provide reliable, efficient and commercially viable port services and facilities to our customers 24 hours a day seven days a week except on 1<sup>st</sup> May and 25<sup>th</sup> December of every year.
- provide 99.9% ICT network availability across KPA operational areas.
- Process invoices within 15 minutes upon submission of Pickup order and Pre-advice
- Respond to customer emails within 24 hours.
- Be available to take calls 24 hours a day.

We endeavour to be driven by principles of quality improvement; and continually improve and automate our processes and procedures. At the close of the year, the Authority was working to put up its services on e-citizen, which is the Official Digital payments platform that enables Kenyan citizens, residents and visitors access and pay for government services online. As a result, our customers are now able to request services, view invoices, make payments and receive statements of accounts, all electronically on this platform.

### **E. ICT Improvements and Solutions**

The Authority has in place an ICT strategy is to enhance service delivery through supporting the Authority's business objectives, continued ICT improvements programs, optimization of emerging technological development relevant to seaports in line with the National ICT policy. The elaborate ICT strategy aims at making KPA an E-Port while providing smart ICT solutions and innovations.

The ICT policy which was enforced in April 2021 establishes an overall policy framework for electronic communication which the ICT Division supports. It guides the usage and operation of all ICT infrastructure, projects and operations within the Authority while complying to international standards and best practices. The documents are aligned to the strategic objectives and strategic plan of the Authority and currently under review for alignment to the Corporate Strategic Plan 2023-2027.

KPA has continued to leverage on ICT to enable our core functions to offer better services to our customers. Our Systems managed an average uptime of 99.72% throughout the year with minor downtime which ensured that our stakeholders got the much-needed port services without delays. We have invested and are still investing heavily in data protection and constant real-time monitoring of the Authority's network to ensure data and network security.

## **ENVIRONMENTAL AND SUSTAINABILITY REPORTING (Cont'd)**

### **ICT Improvements and Solutions (Cont'd)**

Below are the key achievements.

#### **(i) Implementation of OPDNS Cyber Security Solution**

OpenDNS is a form of secure web gateway/secure internet gateway platform for inspecting web traffic. The solution provides the first line of defence against threats on the internet. DNS traffic monitoring and filtering is therefore critical in managing such potential attacks. The layer is important to protect cyber security threats emanating from DNS resolutions.

#### **(ii) High Speed Dark Fiber Connectivity Links**

The dark fibre links provide high speed connection speeds between the Authority's data centre sites (Primary & Secondary). The links support real time replication of data and interconnect services for the datacentres. The links ensure uptime connectivity of the data centers is 99.98%.

#### **(iii) Yard connectivity**

The Authority has Implemented a broadband communication network at the Port of Mombasa and Nairobi ICD to enhance coverage to 100% in the operational areas thus enabling use of HHTs (Handheld Terminals) and VMTs (Vehicle Mounted Terminals) which reduce manual process as we continue in the journey towards achieving full automation of all port processes.

#### **(iv) Implementation of Tier 3 Modular State of the art Data Centre**

The Authority completed the upgrade of its Data Centre facilities. The newly operationalized datacenter was designed to significantly enhance the KPA's daily operations by increasing flexibility, efficiency, speed, and security. The Modular Data Center has helped the Authority to effectively manage the continuity and availability of its digital services 24/7, ensuring high levels of quality, reliability, and innovation to meet the diverse needs of its customers with excellence.

#### **(v) Introduction of Port Services on E-citizen**

The Authority put up its services on e-citizen, which is the Official Digital payments platform that enables Kenyan citizens, residents and visitors access and pay for government services online.

#### **(vi) Upgrades**

We endeavor to constantly implement new ICT systems and upgrades. This goes a long way in ensuring that we improve on our systems performance, security and availability to better serve our keys stakeholders in the market. In the reporting year, we undertook the undernoted System and application upgrades:

- 1) Email Exchange upgrade
- 2) Data center servers upgrade.
- 3) Active Directory services upgrade
- 4) Antivirus upgrade for better security of our PCs, laptops, and servers.
- 5) Replacement of ICT devices that have reached End of Life (EOL)

**ENVIRONMENTAL AND SUSTAINABILITY REPORTING (Cont'd)****ICT Improvements and Solutions (Cont'd)**

The below table is a summary of the other ICT projects that were undertaken during the financial year.

| ICT Projects undertaken for the year 2022-2023 |                                         |                                                                                                              |                                                                                                                                                                         |
|------------------------------------------------|-----------------------------------------|--------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| No.                                            | Module                                  | ICT activities 2022-2023                                                                                     | Remarks                                                                                                                                                                 |
| 1.                                             | Automated Fuel Management System (AFMS) | Integration of Bowser Fueling Data (iMeter System) with Vemart to SAP                                        | Bowser Fuel Data integration is after successful phase 1 implementation of Station Fuel Data integration.                                                               |
|                                                |                                         | ICD Nairobi Onboarding on the AFMS                                                                           | A Global Universal Fueller tag had to be used for the untagged equipment as equipment tagging ongoing.                                                                  |
| 2.                                             | Medical System                          | Introduction of capping of costs for the Medical Services in the Scheme                                      | Successful implementation of the of the new Medical Scheme by Smart Applications.                                                                                       |
|                                                |                                         | Upgrade of the Integration Architecture to API connectivity                                                  | The Integration Architecture was successfully implemented on 7 <sup>th</sup> June 2023.                                                                                 |
| 3.                                             | Finance/Controlling                     | E-citizen Phase 1                                                                                            | E-citizen phase 1 complete, sets the pace for complete digitization of government services                                                                              |
|                                                |                                         | Migration from ledger to Cash form of payment                                                                | Went live 1 <sup>st</sup> July 2023.                                                                                                                                    |
| 4.                                             | HCM                                     | Implementation of the New structure- went live on 1 <sup>st</sup> July 2023                                  | Successful implementation of the New Organization structure.                                                                                                            |
|                                                |                                         | Expansion of system characters to accommodate the NSSF and Tax Identification number (TIN) for Kampala staff | Expanded to accommodate 13 characters                                                                                                                                   |
|                                                |                                         | Recovery of Uganda NSSF at 5% of total wages paid                                                            | Recovery done effective 1 <sup>st</sup> November 2022                                                                                                                   |
|                                                |                                         | Implementation of prorated 3 <sup>rd</sup> Shift allowance as stipulated on amended CBA                      | Payment done                                                                                                                                                            |
| 5.                                             | Supply Chain Management                 | Decentralization of Procurement function to ICD                                                              | Supply Chain Management staff in ICD can now process Purchase Orders and Quotation in addition to the inventory management processes                                    |
|                                                |                                         | Automation of Medical Order process                                                                          | Medical Orders are transmitted via email to the Service Providers<br><br>Training on Nursing staff on going to enable them to optimize the inventory management process |

**ENVIRONMENTAL AND SUSTAINABILITY REPORTING (Cont'd)**

**ICT Improvements and Solutions (Cont'd)**

| ICT Projects undertaken for the year 2022-2023 |                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                                                                                                                                            |
|------------------------------------------------|------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| No.                                            | Module                                   | ICT activities 2022-2023                                                                                                                                                                                                                                                                                                                                                                                                                    | Remarks                                                                                                                                                                                                                    |
| 6.                                             | Plant and Maintenance                    | Implementation of the new organization structure in relation Engineering divisions changes.                                                                                                                                                                                                                                                                                                                                                 | Capturing of new order types and processes to accommodate new changes in Engineering divisions.                                                                                                                            |
| 7.                                             | Sales and Distribution                   | Implementation of the promotional tariff for the Port of Lamu                                                                                                                                                                                                                                                                                                                                                                               | Configuration of new service codes                                                                                                                                                                                         |
|                                                |                                          | Automation of the new storage regime for transit cargo                                                                                                                                                                                                                                                                                                                                                                                      | Reduction of the storage bands and increase in the number of grace period for transit markets                                                                                                                              |
|                                                |                                          | Generation of QR codes on invoices (Credit and debit notes and Rental invoices)                                                                                                                                                                                                                                                                                                                                                             | Tests ongoing.<br>Challenges: Downtime of TIMS devices                                                                                                                                                                     |
| 8.                                             | Data cleanup of Inventory System (Satis) | Inventory records updated to include: <ul style="list-style-type: none"> <li>i. Asset numbers</li> <li>ii. Physical location.</li> </ul>                                                                                                                                                                                                                                                                                                    | Working with asset management on tagging of the equipment. Update on physical location on going to ascertain the location of ICT equipment. Need for policy/ guidelines on multiple allocation of equipment where need be. |
| 9.                                             | Upgrade of Helpdesk System (LAN support) | Upgrade of the LAN Support system which has additional functionalities which include: <ul style="list-style-type: none"> <li>i. Service outage management.</li> <li>ii. Contract management.</li> <li>iii. Access Management.</li> <li>iv. Service Catalog.</li> <li>v. Change management.</li> <li>vi. Problem Management</li> <li>vii. Scheduling and tracking of tasks and activities.</li> <li>viii. Maintain Knowledgebase.</li> </ul> | Training has been scheduled for September 2023.                                                                                                                                                                            |

## **ENVIRONMENTAL AND SUSTAINABILITY REPORTING (Cont'd)**

### **ICT Improvements and Solutions (Cont'd)**

The key achievements include: -

- 1) Integration with E-Citizen platform, thus enabling easy access to Port services through a common shared platform in line with current government requirements.
- 2) Commissioned a new state of art Modular Data Centre, thus ensuring a centralized data management, scalable, secure, and redundant ICT infrastructure and applications.
- 3) Implementation of the new organization structure
- 4) Business re-engineering for change in payment mode from Ledger to cash
- 5) Automation of services in Kenya Ferry Services division
- 6) Re-vamp of the KPA official website
- 7) Various Terminal Operation System enhancements to eradicate manual processes, prevent revenue leakage while addressing changing business needs.

Just like any other organization we also had a number of challenges in course of last the financial year as highlighted below:

- 1) Lack adequate budget to enable us to upgrade our mission critical applications i.e. TOS (Terminal Operating System) and SAP ERP Solution in order to better serve our customers effectively.
- 2) Inability to adapt to technological advancement hence running end-of-life infrastructure and applications. This affected some the application's functionalities, and performance
- 3) Lack of adequate skill sets to manage a lot of emerging systems technologies.

**ENVIRONMENTAL AND SUSTAINABILITY REPORTING (Cont'd)**

**F. CORPORATE SOCIAL INVESTMENTS**

The Authority is committed to uplifting the standards of living of communities. This commitment is entrenched in and supported by our CSI Policy. It is rooted in the organization’s values, guided by international standards and best practices, and driven by its aspiration for excellence in the overall performance of the business.

The Authority’s CSI plan was founded on three basic principles:

- Kenya Ports Authority was the single largest employer within the Coast Province and thus the need to invest in various community projects in each of the districts.
- The Coast region was largely lacking in education facilities, especially for primary schools and thus there was a need for the Authority to invest in promoting this area. This has since extended to include secondary schools as well.
- The Authority also incorporated healthcare as a focus for the outreach program through construction of healthcare facilities and holding of medical camps.

The Authority continues to pursue partnerships with its stakeholders to create social value and improve the socio-economic status in the communities by enriching and impacting the communities meaningfully, through sponsorship, contributions, and project development, amongst other areas, we have focused on supporting Health, Education, Sports, and Environmental conservation initiatives in the areas where we operate. The Authority continues to support Bandari FC, in the National Football League.

At the close of the year the following projects were ongoing;

|   | <b>Project</b>                          | <b>Proposed Project</b>                                             | <b>County</b> | <b>Status</b>                         |
|---|-----------------------------------------|---------------------------------------------------------------------|---------------|---------------------------------------|
| 1 | Longo Primary School                    | Construction of four classrooms                                     | Mombasa       | Ongoing 98% complete                  |
| 2 | Tom Mboya Primary School                | Construction of four classrooms                                     | Mombasa       | 100% complete waiting for handover    |
| 3 | Pate Girls Secondary School             | 800-meter-long perimeter wall and 6000-meter -long chain link fence | Lamu          | On-going 90 % complete                |
| 4 | Mazeras Girls memorial secondary school | Multi-purpose hall                                                  | Kilifi        | On-going 90%complete                  |
| 5 | Baraka Voroni Primary                   | Four classrooms                                                     | Mombasa       | On-going 95% complete.                |
| 6 | Mshale, Likoni Mini Stadium             | Construction of a multipurpose mini stadium                         | Mombasa       | Ongoing. Construction has just begun. |

**ENVIRONMENTAL AND SUSTAINABILITY REPORTING (Cont'd)**

**CORPORATE SOCIAL RESPONSIBILITY(Cont'd)**



*Baraka Voroni Primary in Mombasa County construction of four classrooms.*



*Construction of four classrooms at Tom Mboya Primary School in Mombasa County.*

**ENVIRONMENTAL AND SUSTAINABILITY REPORTING (Cont'd)**

**CORPORATE SOCIAL RESPONSIBILITY (Cont'd)**



KPA Board Chairman Hon. Benjamin Tayari handing over food donation at Gandini Chief's office



KPA's visit and donations to Mji wa Huruma Home for the elderly

**ENVIRONMENTAL AND SUSTAINABILITY REPORTING (Cont'd)****G. Sports facing the future in confidence**

The Authority in recognition of the value of sports, has developed a Sports Policy as a framework to guide and enhance development and promotion of sports programmes, structures and facilities in line with national development under Vision 2030.

KPA recognizes sports as an integral part of social responsibility and as an avenue to inspire recreation and exercise to improve employee welfare and wellness thus sustain performance and productivity at work.

Kenya Ports Authority participates in planned internal sports events, National Sports Leagues/tournaments and the Kenya Communication Sports Organization (KECOSO) games as follows;

1. Internal Interdepartmental games (involving both genders & PWD's)
2. Kenya National Volleyball Federation league (KVF) – Men Club
3. Kenya Basketball Federation National League (KBF) – Men & Women teams
4. Annual KECOSO games (involving both genders & PWD's)
5. Kenya Football Federation Premier League (KPL) – Men Club

The Authority continues to support Bandari FC, basketball teams (men & women), volleyball teams, and netball teams in the National Leagues amongst other sporting activities.

**KPA VOLLEYBALL TEAM**

The KPA men team participated in the Paul Bitok International tournament where they played and won against the Kenya Administration Police, the Kenya Forest Services and the Kenya Prisons teams from 9<sup>th</sup> – 11<sup>th</sup> June 2023.

The KPA Men Volleyball Club also participated in the 2021/2022 National KVF League and emerged No. 4 overall. The above results qualified the team to represent the Authority and Kenya in the African Volleyball Confederation (CAVB) in Kelibia in Tunisia where the club retained position 5 out of the top 14 clubs in Africa. The Mombasa based team successfully made its maiden entry into the African club championship staged in Tunis, Tunisia in 2022 and finished among the top five teams.

**BASKETBALL MEN & WOMEN**

The Kenya Ports Authority men's and ladies' basketball teams were crowned champions in the Kenya Basketball Federation (KBF) premier league. Both teams were crowned champions after successfully retaining the local league in the best- of- five play-offs' finals. The duo recorded the second year running defense of the coveted trophies. The KPA Men & Women Basketball Clubs participated in the 2021/2022 KBF National Premier League and both teams emerged winners out of 12 participating teams.

**ENVIRONMENTAL AND SUSTAINABILITY REPORTING (Cont'd)**

**Sports (Cont'd)**

The performance qualified the Men's Club to represent Kenya in the 1st round of the prestigious Basketball Africa League (BAL) from 18th – 23rd October 2022 in Antananarivo, Madagascar where the club emerged No. 2 out of the rostered teams in that zone. By virtue of their impressive performance, the team thus qualified and progressed to the 2<sup>nd</sup> round of the high-profile event in Johannesburg, South Africa where the club emerged in position 7 out of the 12 participating clubs.

The KPA Women Basketball Club qualified to represent Kenya in the African Club Championship Women (Zone V) in Dar es Salam in Tanzania where the club emerged No. 2 out of 12 clubs in Africa. Thus, the team qualified round two in Maputo, in Mozambique where the club emerged No. 6 out of 12 clubs.

Below is the summarized performance of the KPA teams in various sporting events:

| TEAMS                              | COMPOSITION   | COMPETITION                                 | AWARD                    |
|------------------------------------|---------------|---------------------------------------------|--------------------------|
| Basketball                         | Men           | Kenya Basketball Federation League          | 1 <sup>st</sup> Position |
|                                    |               | KECOSO                                      | 1 <sup>st</sup> Position |
|                                    |               | Basketball Africa League (BAL) Round 1      | 2 <sup>nd</sup> Position |
|                                    |               | Basketball Africa League (BAL) Round 2      | 6 <sup>th</sup> Position |
| Basketball                         | Women         | Kenya Basketball Federation League          | 1 <sup>st</sup> Position |
|                                    |               | FIBA Africa Zone V Qualifying round         | 2 <sup>nd</sup> Position |
|                                    |               | FIBA Africa Clubs Champions Cup             | 6 <sup>th</sup> Position |
| Volleyball                         | Men           | KECOSO                                      | 1 <sup>st</sup> Position |
|                                    |               | National Paul Bitok Tournament              | 1 <sup>st</sup> Position |
|                                    |               | Kenya Volleyball Federation National League | 2 <sup>nd</sup> Position |
| Swimming Able body persons         | Men and Women | KECOSO                                      | 1 <sup>st</sup> Position |
| Swimming Persons with Disabilities | Men and Women | KECOSO                                      | 1 <sup>st</sup> Position |
| Football                           | Men           | Kenya Premier National League               | 6 <sup>th</sup> Position |

**ENVIRONMENTAL AND SUSTAINABILITY REPORTING (Cont'd)**

**Sports (Cont'd)**



**KPA Ladies Team after winning runners-up position in Zone V Championship in Dar es Salam**



**KPA Men's team at the 1<sup>st</sup> Round BAL Tournament in Antananarivo, Madagascar**

**ENVIRONMENTAL AND SUSTAINABILITY REPORTING (Cont'd)**

**H. Key Project Implementation**

During the period under review, the Authority implemented various Vision 2030 flagship projects including: Operationalization of Mombasa Port Development Programme (MPDP) Phase II, New Kipevu Oil Terminal (KOT 2) and commenced construction of Shimoni port. Further, towards the development of Dongo Kundu Berth I, the Authority commenced compensation of Project Affected Persons (PAPs) and tendering for contractor for Civil Works and Equipment acquisition.

**New Kipevu Oil Terminal (KOT II)**

Construction commenced in February 2019 by the China Communication Construction Company. The facility was commissioned on 4th August 2022 and will effectively replace old KOT which was constructed in 1963.

The New KOT (KOT II), is an offshore island terminal with four berths whose total length is 770m and currently three berths are ready for use. The offshore facility is capable of discharging and backloading three larger petroleum tankers of up to 120,000 DWT(300 M) simultaneously to facilitate the importation and exporting of six different hydrocarbon products namely: Automotive Gasoline Oil (AGO) – diesel, Premium Motor Spirit (PMS) – petrol, Heavy Fuel Oil (HFO), Dual Purpose Kerosene, (DPK) – aviation fuel, Liquefied Petroleum Gas (LPG) and Crude Oil (CO)

This facility has enhanced the port’s capacity to discharge oil products in a timely and efficient manner significantly easing the pressure aggravated by increased demand in the region.

**Expected Benefits**

The oil industry is a key driver and main artery to business and economic growth of Kenya and the region. The new facility is expected to streamline marine oil terminals operations to create synergy, enhance safety and operational excellence thereby reducing vessels’ delays, improve turnaround time and eliminate demurrage. The facility is aligned to cost of living initiatives of the National Government.

The designed capacity of the new KOT is 24.96 million MT per annum. The new development has increased total port capacity to 27.56 million MT against demand forecast of 8.41 million MT (2022/23), representing 31.0% marine terminals utilization.

|                                           | 1 <sup>st</sup> Quarter | 2 <sup>nd</sup> Quarter | 3 <sup>rd</sup> Quarter | 4 <sup>th</sup> Quarter | Total FY-2022-23 |
|-------------------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|------------------|
| Tanker VesselsCalls                       | 19                      | 14                      | 19                      | 20                      | 72               |
| Quantity of Cargo Handled in million (MT) | 1.346MTs                | 1.237MTs                | 1.250MTs                | 1.545MTs                | 5.378MTs         |
| Average Turnaround Time - Hours           | 5.8 Days                | 5.65 Days               | 3.64 Days               | 3.95 Days               | 4.75 Days        |

**Key Project Implementation (Cont'd)**



New Kipevu Oil Terminal (KOT II)



Old KOT which was constructed in 1963.

## REPORT OF THE DIRECTORS

The Board of Directors submit the annual report together with the audited financial statements for the year ended 30<sup>th</sup> June 2023 which show the state of the Authority's affairs.

### Principal Activities

KPA's mandate continues to be to develop, maintain, operate, improve, and regulate all scheduled seaports along Kenya's coastline. Core activities include pilotage, towage, mooring, dry docking, navigational aids, and maintenance of the channel, stevedoring and shore handling and reception of cruise vessels in accordance with KPA Act CAP 391.

### Results for the year

|                   | <b>2022/2023</b>  | <b>(Restated)</b><br><b>2021/2022</b> | <b>2021/2022</b> |
|-------------------|-------------------|---------------------------------------|------------------|
|                   | <b>KES'000</b>    | <b>KES'000</b>                        | <b>KES'000</b>   |
| Profit Before Tax | 16,642,226        | 11,148,252                            | 11,282,268       |
| Tax               | 4,649,450         | 3,462,772                             | 3,592,225        |
| <b>Net Profit</b> | <b>11,992,776</b> | <b>7,685,480</b>                      | <b>7,690,043</b> |

### Dividend

Dividend has been payable to the National Treasury at the rate of 7.5% on Profit after Tax. The Dividend obligation for the year ended 2022/23 is KES 899.5 million and will be paid subject to the approval by the Board. The dividends will be paid in conformity with the Authority's policy on dividends.

### Directors

The directors' who held office during the year and to date are shown on page 6.

### Auditors

The Auditor General is responsible for the statutory audit of the Authority in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015. In accordance with section 23 of the Public Audit Act 2015, the Auditor General is empowered to nominate another Auditor to carry out the audit on their behalf.

By order of the Board



Turasha Kinyanjui  
**CS & GM, BOARD & LEGAL SERVICES**

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Section 81 of the PFM Act 2012, Section 14 of the State Corporations Act, 1986 and Section 20 of KPA Act, 1978 requires the Directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Authority as at the end of the financial year and of the operating results. It also requires the directors to ensure that the Authority keeps proper records which disclose, with reasonable accuracy at any time, the financial position of the Authority. The directors are also responsible for safeguarding the assets of the Authority.

The Directors are responsible for the preparation of Financial Statements that give a true and fair view of the state of affairs of the Authority for and as at the end of the financial year ended on 30 June 2023. The responsibility includes:

- (i) Maintain adequate financial management arrangements and ensure that these continue to be effective throughout the reporting period.
- (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time, the financial position of the Authority.
- (iii) Design, implementing and maintain internal controls relevant to the preparation and presentation of the financial statement and ensuring that they are free from material misstatements, whether due to error or fraud
- (iv) Safeguarding the assets of the Authority
- (v) Selecting and applying appropriate accounting policies, and
- (vi) Making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with the International Financial Reporting Standards and in the manner required by the Public Finance Management Act and the State Corporations Act. The Directors are of the opinion that the Authority's financial statements give a true and fair view of the state of financial affairs of the Authority's transactions during the financial year ended 30 June 2023 and of the Authority's financial position as at that date. The directors further confirm the completeness of the accounting records maintained for the Authority, which have been relied upon in the preparation of the Authority's financial statement as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the Authority will not remain a going concern for the next twelve months from the date of this statement.

The Authority's financial statements were approved by the Board of Directors on 28 September 2023 and signed on its behalf by:



Hon. Benjamin D. Tayari  
**CHAIRMAN**

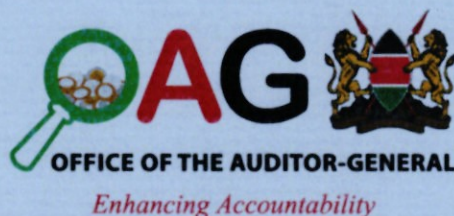


Capt. William Ruto, AFNI  
**MANAGING DIRECTOR**

**REPORT OF THE AUDITOR GENERAL**

# REPUBLIC OF KENYA

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## **REPORT OF THE AUDITOR-GENERAL ON KENYA PORTS AUTHORITY FOR THE YEAR ENDED 30 JUNE, 2023**

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### **PREAMBLE**

I draw your attention to the contents of my report which is in three parts:

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure that the Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on the Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report when read together constitute the report of the Auditor-General.

### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Qualified Opinion**

I have audited the accompanying financial statements of Kenya Ports Authority set out on pages 95 to 162, which comprise of the statement of financial position as at 30 June, 2023, and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and the statement of comparison

of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kenya Ports Authority as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with Kenya Ports Authority Act, CAP 391 of the Laws of Kenya and the Public Finance Management Act, 2012.

### **Basis for Qualified Opinion**

#### **1. Inaccuracies of Financial Statements**

Review of the Authority's annual reports and financial statements revealed the following reporting anomalies:

- (i). The statement of profit or loss and other comprehensive income and Note 15 to the financial statements reflect an expenditure of Kshs.526,201,000 in respect of finance costs, which includes an amount of Kshs.445,587,000 related to interest charges on long term loans. However, Note 29 to the financial statements indicates that an amount of Kshs.41,134,000 was capitalized resulting to a variance of Kshs.404,453,000 which was expensed. Although Management has explained that the interest charges related to construction at the Lamu Port, which was completed, and procurement of a tugboat which was delivered, it was not clear how this capital expenses qualified for expensing.
- (ii). The statement of profit or loss and other comprehensive income and Note 7 to the financial statements reflect other incomes totalling Kshs.1,211,129,000 which include an amount of Kshs.552,525,000 in respect to toll collections. Review of the utility account provided for sampled months of December, 2022 to June, 2023 indicated that the utility account reflected an amount of Kshs.373,547,721. However, the utility ledger provided for audit for the same period reflected an amount of Kshs.333,488,701 resulting to an unexplained and unreconciled variance of Kshs.40,059,020.

In the circumstances, the accuracy and completeness of the financial statements could not be confirmed.

#### **2. Unsupported Sale of Port Passes**

The statement of profit or loss and other comprehensive income and Note 7 to the financial statements reflects other incomes amounting to Kshs.1,211,129,000 which include an amount of Kshs.111,595,000 in respect to sale of port passes.

Review of tender documents provided for audit, revealed that an automated vehicle pass printing system was procured in the financial year 2019/2020 from a local trading Company. During the year under review, the integration configuration module for payment

validation in the SAP and printing in the system was disabled. This brought about a missing control and break in integration of the crucial part of the port pass payment validation and printing stages of the process, hence creating a loophole for printing of unpaid or unapproved port passes. Further, as per clause 5.4 of the contract, the quality assurance and traceability features of the automated vehicle port pass system allows for a print history with visualization of every label printed and label reprinted. However, the detailed report on all printed port passes from the system was not provided for comparison with the approved port passes applications.

In the circumstances, the accuracy, validity and completeness of sale of port passes amount of Kshs.111,595,000 could not be confirmed.

### 3. Non-Collection of Jetty Fees

The statement of profit or loss and other comprehensive income and Note 6 to the financial statements reflects operating revenue of Kshs.57,733,206,000 which includes an amount of Kshs.1,472,000 in respect to jetty fees. The Survey Report on Private/Commercial Facilities along the Kenya Gazetted Coastline, 2019 established eight-four (84) jetties distributed along the coastline. However, the Authority did not provide evidence of having billed or demanded for the jetty fees from the identified jetties and approximately Kshs.8,829,680 in revenue may have been lost, as computed below:

| Jetty        | Number    | Tariff Rate-USD | Exchange Rate<br>30 June, 2023 | Lost Revenue<br>Kshs. |
|--------------|-----------|-----------------|--------------------------------|-----------------------|
| Private      | 76        | 300             | 140.6                          | 3,205,680             |
| Commercial   | 8         | 5,000           | 140.6                          | 5,624,000             |
| <b>Total</b> | <b>84</b> |                 |                                | <b>8,829,680</b>      |

In the circumstances, the accuracy and completeness of jetty revenue of Kshs.1,472,000 could not be confirmed.

### 4. Unsupported Expenditures

#### 4.1 Hiring of Conference Facilities

The statement of profit or loss and other comprehensive income and Note 9 to the financial statements reflect establishment expenses amounting to Kshs.19,158,645,000 which include an amount of Kshs.409,327,000 spent on duty travel. Included in the latter amount is expenditure incurred on hiring of conference facilities package amounting to Kshs.1,943,580 for one hundred and ninety-three (193) officers attending an Operations Department symposium. The total subsistence allowances approved, vide an internal memo dated 20 June, 2022 was for Kshs.1,272,500, to cater for one hundred and four (104) participants. However, the attending participants as per the Manager Container Operations were one hundred and twenty-three (123) participants, resulting to nineteen (19) extra participants and hence incurring extra cost of Kshs.671,080. The list of the extra nineteen (19) participants, approval for their facilitation, symposium program and the respective report were not provided for audit review.

Further, the invoice from the service provider amounting to Kshs.1,943,580 was dated 29 June, 2021 which was one year before the actual event took place. No satisfactory

explanation was provided for this anomaly. Further, the procurement process on how the service provider was identified and awarded the contract was not disclosed.

In the circumstances, the accuracy and propriety of the amount of Kshs.1,943,580 incurred in hiring of conference facilities could not be confirmed.

#### **4.2 Unsupported Accruals on Subsistence Expenses**

Further, review of records revealed that duty travel amount of Kshs.409,327,000 included an expenditure totalling Kshs.12,893,807 incurred on subsistence expense and was reported vide document No.9086733, for a total number of forty-four (44) transactions. However, there was no supporting documentation indicating details such as who was issued with the allowance, purpose, period and results of the exercise.

In the circumstances, the accuracy and propriety of Kshs.12,893,807 incurred on subsistence expenses could not be confirmed.

#### **4.3 Publicity and Advertising Expenses**

The statement of profit or loss and other comprehensive income reflects administrative expenses amounting to Kshs.5,465,480,000 which as disclosed in Note 8 to the financial statements includes publicity and advertising amount of Kshs.156,106,000. The latter balance further includes a retainer amount of Kshs.1,700,000 per month or Kshs.20,400,000 annually, paid to a local Company. Further, a monthly retainer amount of Kshs.4,923,278 was paid to another Company for the period of October, 2022 to December, 2023. The total retainer expenditure for the two service providers amounting to Kshs.25,323,278 was however not justified by Management.

In the circumstances, the regularity of the amount of Kshs.25,323,278 paid as retainer could not be justified.

#### **4.4 Corporate Social Responsibility (CSR) Expenses**

The administrative expenses amount of Kshs.5,465,480,000 further includes a balance of Kshs.262,299,000 in respect to Corporate Social Responsibility (CSR). Review of the expenditure records revealed that an amount of Kshs.11,075,377 was incurred on trips to various destinations. However, there was no evidence that the trips were, budgeted for and approved and were for the continuous monitoring and evaluation of projects since there were no CSR work programs and monitoring and evaluation reports.

In the circumstances, the accuracy, completeness and propriety of Kshs.11,075,377 incurred on CSR could not be confirmed.

#### **4.5 Unsupported Consultancy Services**

Further, the administrative expenses amount of Kshs.5,465,480,000 includes a balance of Kshs.93,147,425 incurred on consultant fees expenses. The Authority contracted an international Consultant to carry out the forensic audit of the Authority's land and properties vide tender No. KPA/122/2015-16/MD (No. C.35822) at an agreed contract amount of Kshs.26,580,646 for subcontractors who were to be engaged jointly by KPA and the Consultant. The contract was signed in the year 2016 and there was no

explanation why it was necessary to enter into a sub-contract. It has not been explained why the Consultant was awarded the contract if they did not have capacity to execute it. As at the time of the audit in April, 2024 there was no confirmation that the contract entered in 2016 was still valid, and whether it has achieved the anticipated objectives.

In the circumstances, the occurrence and propriety of the consultancy expenditure of Kshs.26,580,646 could not be confirmed.

## **5. Student Deposits**

The statement of financial position and Note 31 to the financial statements reflect trade and other payables balance of Kshs.11,375,133,000 which includes an amount of Kshs.186,239,000 in respect of other payables. Review of the other payables balance revealed that an amount of Kshs.2,262,000 relates to Bandari Maritime Academy student deposits. However, records maintained at Bandari Maritime Academy indicated a balance of Kshs.8,508,272 resulting to an unexplained and unreconciled variance of Kshs.6,246,272. Further, it was not explained why the Authority retains the student deposit in its books whereas the Bandari Maritime Academy is an independent entity.

In the circumstances, the accuracy and completeness of other payables balance of Kshs.2,262,000 could not be confirmed.

## **6. Property, Plant and Equipment**

### **(a) Lack of Valuation on Fully Depreciated Assets**

The statement of financial position and Note 11 to the financial statements reflect a balance of Kshs.310,310,393,000 in respect of the net book value of property, plant and equipment. Further, the assets with Kshs.Nil balances as disclosed in the footnote to Note 11 to the financial statements had acquisition cost of Kshs.16,324,345,000, an increase by Kshs.11,517,971,000 from the previous financial year's reported cost of Kshs.4,806,374,000. Review of the schedules supporting the fully depreciated assets indicates that the assets, especially land and buildings, services and systems and basic constructions are deployed to the services of KPA and therefore producing value for the Authority but without corresponding depreciation expenses recorded. Although Management has indicated that there are plans to value the assets, the process had not been completed as at the time of the audit in April, 2024.

### **(b) Lack of Proper Valuation and Uncertainties of Land Leased Out**

The property, plant and equipment balance of Kshs.310,310,393,000 includes an amount of Kshs.15,192,362,000 in respect of land leased out. As previously reported, review of documents provided for audit indicates uncertainties in regards to the ownership and flow of benefits to the Authority. Twenty-nine (29) parcels of land are in the hands of private developers and have court cases which are at various levels of legal determination. Further, three (3) out of the twenty-nine (29) parcels of land have not been revalued.

### **(c) Overstatement of Non-Current Assets**

Physical verification of various assets with a net book value of Kshs.120,662,474 at the Port of Kisumu revealed that the assets were either demolished or transferred to Kenya Shipyard Limited yet they have remained in the books of KPA.

In the circumstances, the accuracy, occurrence and ownership of property, plant and equipment amounting to Kshs.310,310,393,000 could not be confirmed.

## **7. Unsupported Appointment and Gratuity Payment**

The statement of profit or loss and other comprehensive income and Note 9 to the financial statements reflects establishment expenditure of Kshs.19,158,645,000 which includes Kshs.9,000,000 in respect of remuneration benefits paid to the former Acting Managing Director.

The following anomalies were however observed;

- (i). The Managing Director had been in an acting capacity from 1 July, 2021 vide letter Ref. TNT/ZZ 253/15'F' dated 25 June, 2021 and received acting allowances for twenty (20) months totalling to Kshs.17,220,000 as at 31 March, 2023. However, it was not established if the officer had the necessary qualifications as outlined in the career guidelines to act as Managing Director as the support documents and signed contract agreement with the Authority were not provided for audit verification.
- (ii). No explanation was provided why the officer, appointed in acting capacity was eligible for gratuity amounting to Kshs.5,338,200.
- (iii). The Ag. Managing Director negotiated for basic salary of Kshs.820,000 based on the immediate former deployment as Kenyan Ambassador to Djibouti, where his net pay was USD.10,016 per month as per The National Treasury and Planning letter to the Authority, reference number TNT/CONF/16/01 dated 14 October, 2021. However, the content of his pay was not shared with the Authority's Board as evidenced in the letter reference number HR/6/1/16/R&SA dated 5 July, 2021, addressed to the Cabinet Secretary National Treasury. It was also not explained why the officer was being paid over and above the salary scale at grade HE1 (KPA 1) with basic salary range of Kshs.306,280 - Kshs.445,840.
- (iv). A draft indent of advertisement of the vacancy forwarded to the Public Service Commission accompanying the recommendation for acting appointment was not provided for audit review.

In the circumstances, the regularity of the amount of Kshs.9,000,000 paid on remuneration benefits to the former Acting Managing Director could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kenya Ports Authority Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

## **Emphasis of Matter**

### **Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflect final revenue budget and actual amounts on comparable basis of Kshs.54,040,271,000 and Kshs.58,944,335,000 respectively, resulting in an over-collection of Kshs.4,904,064,000, or 9% of the budget. Similarly, the Authority expended Kshs.43,767,796,000 against an approved budget of Kshs.41,332,443,000, resulting in over-expenditure of Kshs.2,429,353,000 or 6% of the budget.

The over-collection of the budget income indicates ineffective fiscal management practices. Further, the over-expenditure may have impacted negatively on the achievement of the planned goals and objectives of the Authority in terms of expansion and depressed dividends to the Government.

My opinion is not modified in respect of this matter.

### **Key Audit Matters**

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review

### **Other Matter**

#### **Unresolved Prior Year Audit Issues**

Various prior year audit issues remained unresolved as at 30 June, 2023. Management has not provided reasons for the delay in resolving the audit issues.

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

### **Basis for Conclusion**

#### **1. Under Billing of Rent from Leased Properties**

The statement of financial position and Note 11 to the financial statements reflects a balance of Kshs.310,310,393,000 in respect of property, plant and equipment which includes an amount of Kshs.15,192,362,000 on land leased properties as per the latest valuation. According to the Authority's Corporate Land Policy Guidelines, No. 3.2.4, KPA should take advantage of the expiring leases and vary them with new terms and conditions. Review of ten (10) lease documents revealed that one of the leases under Ref No: MSC/4/8/1253 was issued to freight Company on 30 June, 2022 for BP Shed 5 and

6 (Mombasa/Block 1/492) at the rent of peppercorn consideration. Management did not provide any justification for deviation from guideline No 3.2.4.

In the circumstances, Management decisions on renting the facility at peppercorn lease may not have achieved the desired value for money to the Authority.

## **2. Irregular Special Duty and Acting Allowances**

The statement of profit or loss and other comprehensive income and Note 9 to the financial statements reflect establishment expenses amounting to Kshs.19,158,645,000 which include an amount of Kshs.7,522,175,000 incurred on basic salary. Included in the amount is a balance of Kshs.4,776,870 spent on acting and special duty allowances paid to twenty-five (25) employees. However, the allowances were paid for more than the stipulated time of six (6) months contrary to Sections C.14(1) and C.15(1) of the Human Resource Policies and Procedures Manual for the Public Service, 2016.

In the circumstances, Management was in breach of the law.

## **3. Irregular Overtime Allowances**

During the year under review, the Authority approved and paid an amount of Kshs.49,949,614 in respect of overtime allowance to employees on training grades. This is contrary to Paragraph C.9(f) of the Kenya Ports Authority Human Resource Manual, 2017, that provides that employees on training grades, unless otherwise specifically provided, are not eligible for overtime payment.

In the circumstances, Management was in breach of the Authority's policies.

## **4. Unauthorized Fueling of Vehicles**

The statement of profit or loss and other comprehensive income and Note 10 to the financial statements reflect operating expenses amounting to Kshs.6,766,761,000 which include an amount of Kshs.1,782,757,000 spent on fuel purchase. However, review of the fuel expenditure schedules revealed that a balance of Kshs.1,560,390 was incurred on fueling vehicles that were not in the Authority's asset register.

The Authority did not provide the work tickets of the drawing vehicles to confirm the consumption and no explanation was provided on how the vehicles were fueled outside the fuel consumption control system, operated in the Authority's stations. The vehicles were also not fitted with On Board Device (OBD) that automatically injects fuel into the vehicles. Further, some vehicles were fueled more than once on particular dates without matching justifications of journeys made. The abnormal drawing and consumption of fuel lead to usage of 13,568 litres costing Kshs.1,677,380.

In the circumstances, the value for money on the fuel expenditure of Kshs.3,237,770 could not be confirmed.

## **5. Non-Compliance with Tender Terms and Conditions**

The Authority awarded a local Company a tender for supply and commissioning of twelve (12) No. skeletal trailers for Lamu Port vide letter of notification of award dated 20 December, 2022 at a total cost of Kshs.48,000,000. The professional opinion dated

14 December, 2022 recommended the award of the tender at a total cost of Kshs.46,117,152, for ten (10) skeletal trailers and the bidder acknowledged and accepted the award at the stated price in an acceptance letter dated 23 December, 2022. As per the contract, all the skeletal trailers were to be directly delivered to Lamu Port. However, audit verification carried out at the Lamu Port during the month of September, 2023 revealed that the supplier did not meet the contractual obligation by failing to deliver any or all the 10 skeletal trailers to Lamu Port, six (6) months from the date of the purchase order (23 February, 2023) as stated in the contract. Management did not provide evidence on the measures the Authority has instituted for enforcement of the contract terms.

In the circumstances, the contractor was in breach of contract terms and the Authority may not get value for money on the procurement.

## **6. Irregular Contract Management**

The statement of profit or loss and other comprehensive income and Note 10 to the financial statements reflects other operating expenses amounting to Kshs.6,766,761,000. Review of records revealed the following anomalies:

### **6.1 Purchasing and Supply of Plastic Industrial Safety Helmets - White and Yellow**

Review of the records on the purchase of plastic industrial safety helmet-white worth Kshs.1,611,900 revealed that the purchase order, dated 21 October, 2022, stipulated that the goods should be delivered not later than 30 November, 2022. However, the goods were not delivered until 27 February, 2023, three (3) months later.

Further, review of the procurement of plastic industrial safety helmet-yellow worth Kshs.1,208,700 revealed that purchase order number 4500091804 dated 20 September, 2022 stipulated that the goods should be delivered not later than 31 October, 2022. However, the goods were not delivered until 27 October, 2023, which was one (1) year later.

These actions were against the terms and conditions outlined in the purchase orders and Clause 34 of the contract documents, which required the supplier to deliver the equipment within thirty (30) days of purchase order issuance. Additionally, in the event of a delay, the supplier was required to promptly inform the Authority in writing, detailing the cause and likely duration of the delay. Subsequently, the Authority would evaluate the situation and might, at its discretion, grant an extension for the supplier's performance, provided the extension was mutually agreed upon and ratified by both parties through an amendment to the contract.

In the circumstances, Management was in breach of the procurement law and regulations.

### **6.2 Upgrading the Inland Container Depot Nairobi (ICDN) Power Voltage**

The Authority contracted a local Company to upgrade the ICDN Power from 11kv to 66kv, under contract Number: KPA/170/2020-21/TE and at a contract price of Kshs.510,000,000 (Inclusive of VAT). Procurement documents supporting this contract including the purchase order number 4500090368 issued on 18 March, 2022, required the supply to be done on or before 18 April, 2023. However, supply amounting to

Kshs.146,844,827 was yet to be delivered as per the status report dated 6 October, 2023, despite a stipulation in the contract agreement of 452 days from the date of the purchase order. This was contrary to the terms and conditions of the purchase order that requires the validity period to be as specified and should be treated as cancelled at the expiry of the period. There was no evidence of cancellation of the contract or surcharging the contractor for liquidated damages.

Further, the performance bond of 10% on the contract price, translating to Kshs.51,000,000, issued by the contractor in form of a bank guarantee which was valid from 15 January, 2022 to 9 April, 2023 with a requirement to cover the contract validity period has since expired. The validity period of the performance bond had elapsed yet the contractor was yet to deliver on order worth Kshs.146,844,827.

The special condition of the contract allowed a 20% advance payment of the contract sum (inclusive of VAT) translating to Kshs.102,000,000. However, the Authority paid a total of Kshs.292,810,345 as advance payments resulting to an overpayment of Kshs.190,810,345 contrary to the contract agreement.

In the circumstances, the validity of Kshs.190,810,345 incurred on upgrading the ICDN Power Voltage and the value for money incurred on the contract could not be confirmed.

### **6.3 Supply and Installation of Smart Gates on Manual Lanes at Inland Container Depots**

The Authority entered into a contract for supply and installation of smart gates on the manual lanes at ICD - Nairobi and maintenance service contract for both ICD Nairobi and Naivasha at a contract price of USD 1,031,570 (Kshs.127,048,100), under tender No. KPA/011/2021-22/ICDN. The contract amount was divided as one-off costs of USD 691,092 (Kshs.85,114,891) and total annual recurrent costs of USD 340,473 (Kshs.41,932,655). However, the Authority incurred a down payment of Kshs.16,188,986 which was not supported by a bank guarantee from a Kenyan bank of the same amount contrary to the special conditions of the contract (SCC).

The contract agreement dated 5 December, 2022 stipulates the works to be done in six (6) months for the one-off costs. The Authority ordered one-off costs of smart gates of USD 595,769 (Kshs.73,374,905) and maintenance service of smart gates system of USD 293,511 (Kshs.36,148,841) on 27 January, 2023 as per purchase order number 4500092709. However, during the audit inspection carried out on 7 October, 2023, only goods and services amounting to USD 220,133 (Kshs.27,111,580) had been delivered while goods and services worth USD 669,147 (Kshs.82,412,116) were yet to be delivered. The supplier requested for Local Purchase Order (LPO) extension on 18 September, 2023 which was approved by the Authority on the same day. The request for LPO extension was thirty-seven (37) days after the six (6) months' validity period had expired, contrary to the SCC that requires in the mandatory terms, the service provider to promptly notify the Authority in writing of the delay, its likely duration and its cause.

In the circumstances, Management was in breach of the law and the contract terms.

## **7. Mismanagement of Transport Fleet Management at ICD Nairobi, Naivasha and Lamu**

The statement of profit or loss and other comprehensive income and Note 8 to the financial statements reflects administrative expenses amounting to Kshs.5,465,480,000 which include an amount of Kshs.254,449,000 incurred on hire of commuter bus service. However, review of the bus/vehicles and boat fleet management records revealed the following anomalies :

### **(i) Poor Fueling Management System at ICD Nairobi**

The fueling receipts did not automatically capture the machinery and car registration numbers and instead the supplier used a tagging system where unique identification tags were assigned to various vehicles and machineries. However, there were a particular set of the Authority's assets that lacked tags and were assigned a universal tag (0297). However, there was no control in place in usage of the universal tag as it was not attached to any particular asset and could easily scan and allow access to fueling without any specific verification or restrictions. The Authority also did not provide list of the vehicles and machinery assigned the universal tag and this may create loophole for system misuse.

### **(ii) Irregular Provision of Commuter Bus Services, Lamu Port**

Review of the contract documents on the award and provision of commuter bus services at the Port of Lamu revealed that the professional opinion dated 28 November, 2023, was received by the office of the Managing Director on the 28 November, 2022 and also received by the General Manager supply chain on the 29 November, 2022, both occurring one year before the professional opinion was issued. The anomaly was not explained.

Further, Section 5 of the signed negotiation report dated 17 March, 2022 on Market Survey, indicated that due to time constraints the committee did not conduct a market survey but instead decided to use the supplier's rates charged on their pending invoices as market rates.

### **(iii) Unsupported Boat Services Transport Contract at Lamu**

The Authority contracted four (4) operators to provide boat transport services. However, on the four (4) contracted operators, it was observed that, the boats insurance status was not revealed, the boats lacked the inspection certificates issued by Kenya Maritime Authority (KMA) on safety and seaworthy for operation, the coxswains operating the boats were not duly certified and there were no signed service level agreements between the Authority and the four (4) service providers.

In the circumstances, the value for money on the expenditure of Kshs.254,449,000 on hire of commuter bus service could not be confirmed.

## **8. Late Delivery of Repair Works**

The statement of profit or loss and other comprehensive income and Note 10 to the financial statements reflects operating expenses amounting to Kshs.6,766,761,000 which include an amount of Kshs.70,085,000 related to workshop tools and equipment.

The Authority engaged a supplier to replace seals on ten (10) cylinders hydraulic pipes at a cost of Kshs.2,824,673 under tender No: KPA/015/2020-21/TE. However, it was observed that, the special condition of the contract required delivery to be done within seven (7) days. The purchase order number 4500090756 was dated 19 May, 2022 whereas the delivery was done on 28 July, 2022, or twenty-six (26) days later as evidenced by the delivery note order number KPA/MSA/00BL18. This is contrary to Regulation 166 (1) of the Public Procurement and Asset Disposal Regulations, 2020 which states that an Accounting Officer of a procuring entity shall only receive works goods or services pursuant to Section 159 of the Act based on a purchase order, service order or signed contract.

In the circumstances, Management was in breach of the regulations.

### **9. Irregular Payment - Corporate Social Responsibility (CSR)**

The statement of profit or loss and other comprehensive income and Note 8 to the financial statements reflects administrative expenses amounting to Kshs.5,465,480,000 which include an amount of Kshs.262,299,000 in respect of corporate social responsibility expenses.

The Authority awarded the contract on construction of an 800-meter long perimeter wall and a 600-meter long chain link fence at Pate Girls' Secondary School in Lamu County under tender No. KPA/012/2020-21/CS on 18 January, 2022, at a CSR contract sum of Kshs.8,822,698. The procurement for the work had been authorized by the Authority's executive committee on 8 December, 2020 for an estimated cost of Kshs.8,910,000.

On the management of the contract, it was observed that the bill of quantities provided by the contractor was for chain-link fencing of 1,160 meters at a unit price of Kshs.2,700 per meter. However, the actual measurement at the site was of chain-link fencing of 809 meters thus underperforming by 351 meters. Therefore, the Authority incurred an amount of Kshs.947,700 for 351 meters of chain-link fencing which was not done. No satisfactory explanation was provided for the anomaly.

Further, the bill of quantities provided for contingencies worth Kshs.760,577 for which an itemized breakdown was not provided by the Contractor.

In the circumstances, the value for money on the expenditure of Kshs.1,708,277 incurred on the CSR project could not be confirmed.

### **10. Non-Compliance with the Law on Gender and Ethnic Composition**

Review of the staff biodata revealed that the Authority had a total of 6,480 staff as at 30 June, 2023, out of which 5,056 (78%) were male while 1,424 (21%) were female contrary to Paragraph B.22(2) of the Public Service Commission Human Resource Policies and Procedures Manual, 2016 that states that "the Government will endeavor to have a gender balanced Civil Service by ensuring that not more than 2/3 of positions in its establishment are filled by either gender".

Further, it was observed that the Authority had a total of 2,236 (35%) staff out of the 6,480 employees drawn from one ethnic group. This is contrary to Section 7(2) of the National

Cohesion and Integration Act, 2008 which states that “no public establishment shall have more than one third of its staff from the same ethnic community”.

In the circumstances, Management was in breach on the law.

### **11. Earnings Below the Statutory Minimum**

The statement of profit or loss and other comprehensive income and Note 9 to the financial statements reflects establishment expenditure of Kshs.19,158,645,000 which includes an amount of Kshs.7,522,175,000 in respect to basic salary. Review of the payroll records revealed that the net payments of 1,110 employees totalling to Kshs.60,539,895 was less than a third of their basic pay. This is contrary to Section C.1(3) of Human Resource Policies and Procedure Manual for the Public Service, 2016.

In the circumstances, Management was in breach on the regulations.

### **12. Lack of Service Level Agreement Between Kenya Ports Authority, Kenya Pipeline Company Ltd and Kenya Petroleum Oil Refineries on New Kipevu Oil Terminal (KOT II) Management**

According to the Environment and Sustainability Report (H-Key project implementation) for the year under review, the New Kipevu Oil Terminal (KOT II) was commissioned in August, 2022. The KOT II is an offshore island terminal with four berths for discharging and back loading of large petroleum tankers. There are onshore pipelines dedicated to separate oil products connecting the terminal to Kenya Petroleum Refineries Ltd and Kenya Pipeline Company storage tanks, thus the need for framework agreement(s) on the operation and maintenance of the KOT II. Upon enquiry on the existence of Service Level Agreement (SLA), Management explained that the Service level agreement was signed on 24 April, 2024. However, the agreement was not provided for audit verification.

In the circumstances, the terms and conditions of operation and maintenance of the KOT II facility could not be confirmed.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

## **REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE**

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

## **Basis for Conclusion**

### **1. Lack of Effectiveness in Governance**

#### **(i) Lack of Induction Programme for Newly Appointed Board of Directors**

Six (6) new directors were appointed to the Authority's Board during the year under review. Review of records revealed that an induction program for the newly appointed directors on the Authority's facilities, business processes, systems, functions and mode of operations as required by the Mwongozo Code of Governance Parameter 1.10, on Board Induction Continuous Skills Development was not carried out. Further, the Authority's Board Charter was not developed during the financial year 2022-2023.

In the circumstances, the Authority did not benefit from the effective oversight and overall governance by the Board of the Directors.

#### **(ii) Failure to Carry out Legal Compliance Audit**

Compliance audit reports by the Board on all statutory obligations for the four (4) quarters in the financial year 2022-2023 were not provided for audit verification.

In the circumstances, the effectiveness of internal controls, risk management and governance of the Authority could not be guaranteed.

### **2. Irregular Composition of Corporate Social Investment (CSI) Committee**

During the year under review the CSI Committee Minutes indicated that evidence of meetings with the environmental officer as required was missing, contrary to CSR Policy Manual, 2022. Further, according to the Policy Manual provided there was no indication that it had been approved by the Board.

In the circumstances, the contribution of the environmental officer toward effective implementation of CSI policies and projects could not be confirmed.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

### **Responsibilities of Management and the Board of Directors**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for maintaining effective internal controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Authority's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Authority or to cease operations.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

The Board of Directors is responsible for overseeing the Authority's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

### **Auditor-General's Responsibilities for the Audit**

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the Authority's policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Authority to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Authority to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that are identified during the audit.

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and where applicable, related safeguards.

  
FCPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

13 May, 2024

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2023

|                                                                         |       | 2022/2023          | RESTATED<br>2021/2022 | 2021/2022         |
|-------------------------------------------------------------------------|-------|--------------------|-----------------------|-------------------|
|                                                                         | Note  | KES'000            | KES'000               | KES'000           |
| Operating Revenue                                                       | 6     | 57,733,206         | 49,338,782            | 49,338,782        |
| Other Incomes                                                           | 7     | 1,211,129          | 1,300,276             | 1,300,276         |
| <b>Total Revenues</b>                                                   |       | <b>58,944,335</b>  | <b>50,639,058</b>     | <b>50,639,058</b> |
| <b>Less Expenses:</b>                                                   |       |                    |                       |                   |
| Administrative Expenses                                                 | 8     | 5,465,480          | 4,367,181             | 4,373,564         |
| Establishment Expenses                                                  | 9     | 19,158,645         | 18,561,900            | 18,561,900        |
| Operating Expenses                                                      | 10    | 6,766,761          | 5,261,844             | 5,271,439         |
| Depreciation Property, Plant and Equipment                              | 11,12 | 12,203,027         | 11,634,772            | 11,484,778        |
| Amortization of Intangible Assets                                       | 13    | 173,883            | 254,952               | 254,952           |
| <b>Total Operating Expenses</b>                                         |       | <b>43,767,796</b>  | <b>40,080,649</b>     | <b>39,946,633</b> |
| <b>Operating Profit</b>                                                 |       | <b>15,176,539</b>  | <b>10,558,409</b>     | <b>10,692,425</b> |
| Finance Income                                                          | 14    | 265,568            | 166,878               | 166,878           |
| Finance Cost                                                            | 15    | 526,201            | 130,012               | 130,012           |
| Impairment Gain/(Loss)                                                  | 16    | (43,092)           | 55,071                | 55,071            |
| Other Gains                                                             | 17    | 1,769,412          | 497,906               | 497,906           |
| <b>Profit Before Tax</b>                                                |       | <b>16,642,226</b>  | <b>11,148,252</b>     | <b>11,282,268</b> |
| Tax Charge                                                              | 18    | (4,649,450)        | (3,462,772)           | (3,592,225)       |
| <b>Profit for the Year</b>                                              |       | <b>11,992,776</b>  | <b>7,685,480</b>      | <b>7,690,043</b>  |
| <b>Other Comprehensive Income (OCI)</b>                                 |       |                    |                       |                   |
| <b>OCI not to be reclassified to Profit or Loss in subsequent years</b> |       |                    |                       |                   |
| Deficit resulting from Pension Valuation                                | 32    | (3,410,800)        | 0*                    | 0*                |
| Gain/effect on KFS merger-Shareholding                                  |       | 0**                | 399,904               | 399,904           |
| <b>OCI to be reclassified to Profit or Loss in subsequent years</b>     |       |                    |                       |                   |
| Unrealized Foreign Exchange Gain/(Loss)                                 | 26    | (5,056,072)        | 4,574,070             | 4,574,070         |
| Unrealized Forex from Valuation of Loans                                | 29    | (6,986,051)        | 5,340,098             | 5,340,098         |
| <b>Earnings/(Losses) Reported</b>                                       |       | <b>(3,460,147)</b> | <b>17,999,552</b>     | <b>18,004,115</b> |

\*There was no recognition of DB Scheme actuarial valuation in FY 2021/2022

\*\* KFS merged with KPA in FY2021/2022

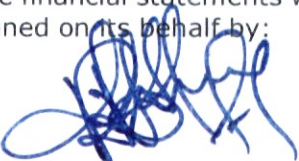
**KENYA PORTS AUTHORITY**

**ANNUAL REPORT & FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

**STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2023**

|                                        |             | <b>2022/2023</b>   | <b>RESTATED<br/>2021/2022</b> | <b>2021/2022</b>   |
|----------------------------------------|-------------|--------------------|-------------------------------|--------------------|
|                                        | <b>Note</b> | <b>KES'000</b>     | <b>KES'000</b>                | <b>KES'000</b>     |
| <b>Non-Current Assets:</b>             |             |                    |                               |                    |
| Property Plant and Equipment           | 11          | 310,310,393        | 304,217,934                   | 304,367,928        |
| Assets Held for Sale                   | 19          | 324,319            | 237,993                       | 237,993            |
| Intangible Assets                      | 13          | 1,348,295          | 811,788                       | 811,788            |
| Leased Property                        | 12          | 602,154            | 916,728                       | 916,728            |
| Long Term Investment                   | 20          | 1,056,914          | 1,048,283                     | 1,048,283          |
| <b>Total Non- Current Assets</b>       |             | <b>313,642,075</b> | <b>307,232,726</b>            | <b>307,382,720</b> |
| <b>Current Assets:</b>                 |             |                    |                               |                    |
| Inventories                            | 21          | 689,110            | 584,735                       | 584,735            |
| Receivables and Prepayments            | 22          | 22,595,500         | 24,008,706                    | 24,014,785         |
| Tax paid in advance                    | 23          | 1,696,031          | 2,287,941                     | 2,158,488          |
| Short Term deposits                    | 24          | 6,700,789          | 840,860                       | 840,860            |
| Bank & Cash Balances                   | 24          | 1,668,566          | 3,422,167                     | 3,422,167          |
| <b>Total Current Assets</b>            |             | <b>33,349,996</b>  | <b>31,144,409</b>             | <b>31,021,035</b>  |
| <b>TOTAL ASSETS</b>                    |             | <b>346,992,071</b> | <b>338,377,135</b>            | <b>338,403,755</b> |
| <b>Capital and Reserves:</b>           |             |                    |                               |                    |
| Revaluation Reserves                   | 25          | 78,066,325         | 85,791,507                    | 85,791,507         |
| General Reserves                       | 26          | 128,408,508        | 127,987,575                   | 128,004,594        |
| Grants                                 | 27          | 8,608,913          | 8,895,947                     | 8,895,947          |
| <b>Total Capital and Reserves</b>      |             | <b>215,083,746</b> | <b>222,675,029</b>            | <b>222,692,048</b> |
| <b>Non-Current Liabilities:</b>        |             |                    |                               |                    |
| GOK Project Funds                      | 28          | 48,150,157         | 47,850,157                    | 47,850,157         |
| Borrowings                             | 29          | 59,690,103         | 47,784,967                    | 47,784,967         |
| Deferred tax Liability                 | 30          | 5,219,441          | 4,618,196                     | 4,618,202          |
| Retirement Benefit Liability           | 32          | 5,916,600          | 3,041,000                     | 3,041,000          |
| <b>Total Non- Current Liabilities</b>  |             | <b>118,976,301</b> | <b>103,294,320</b>            | <b>103,294,326</b> |
| <b>Current Liabilities</b>             |             |                    |                               |                    |
| Borrowings                             | 29          | 1,021,691          | 1,492,345                     | 1,492,345          |
| Trade and Other Payables               | 31          | 11,375,133         | 10,380,241                    | 10,389,836         |
| Retirement Benefit Liability           | 32          | 535,200            | 535,200                       | 535,200            |
| <b>Total Current Liabilities</b>       |             | <b>12,932,024</b>  | <b>12,407,786</b>             | <b>12,417,381</b>  |
| <b>TOTAL CAPITAL &amp; LIABILITIES</b> |             | <b>346,992,071</b> | <b>338,377,135</b>            | <b>338,403,755</b> |

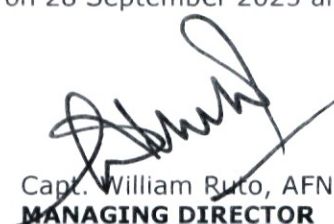
The financial statements were approved by the Board of Directors on 28 September 2023 and signed on its behalf by:



Hon. Benjamin D. Tayari  
**CHAIRMAN**



CPA Geoffrey Kavate  
**GM, FINANCE**  
ICPAK M/No: 6399



Capt. William Ruto, AFNI  
**MANAGING DIRECTOR**

**KENYA PORTS AUTHORITY**
**ANNUAL REPORT & FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**
**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2023**

|                                    | Note | Revaluation<br>Reserves<br>KES'000 | General<br>Reserves<br>KES'000 | Grants<br>KES'000 | Total<br>KES'000   |
|------------------------------------|------|------------------------------------|--------------------------------|-------------------|--------------------|
| Balance brought down               |      | 85,791,507                         | 126,836,160                    | 8,895,947         | 221,523,614        |
| Bonus provision                    |      | 0                                  | 1,151,415                      | 0                 | 1,151,415          |
| <b>Balance as at 01.07.2022</b>    |      | <b>85,791,507</b>                  | <b>127,987,575</b>             | <b>8,895,947</b>  | <b>222,675,029</b> |
| Profit After Tax                   |      | 0                                  | 11,992,776                     | 0                 | 11,992,776         |
| <b>Other Comprehensive Income;</b> |      |                                    |                                |                   |                    |
| Unrealized Foreign Exchange (Loss) | 26   | 0                                  | (5,056,072)                    | 0                 | (5,056,072)        |
| Revaluation loss on Loans          | 29   | 0                                  | (6,986,051)                    | 0                 | (6,986,051)        |
| Increase in Pension DB Deficit     | 32   | 0                                  | (3,410,800)                    | 0                 | (3,410,800)        |
| <b>Others;</b>                     |      |                                    |                                |                   |                    |
| Revaluation Effect/Adjustments     | 26   | (7,725,183)                        | 7,725,183                      | 0                 | 0                  |
| Other Adjustments                  |      | 1                                  | 5,182                          | (1)               | 5,182              |
| Transfer of director fees          |      | 0                                  | 53,400                         | 0                 | 53,400             |
| Free trade Area                    | 27   | 0                                  | 0                              | 50,000            | 50,000             |
| Other Valuation adjustments        |      | 0                                  | (501,303)                      | 0                 | (501,303)          |
| Dividends (Special & Normal)       | 38   | 0                                  | (3,341,921)                    | 0                 | (3,341,921)        |
| Transfer/effect of KFS merger      |      | 0                                  | (2,906)                        | 0                 | (2,906)            |
| Effects of Deferred Tax            | 30   | 0                                  | (601,245)                      | 0                 | (601,245)          |
| SGR Asset Revaluation Effects      | 27   | 0                                  | 544,690                        | (544,690)         | 0                  |
| <b>Balance as at 30.06.2023</b>    |      | <b>78,066,325</b>                  | <b>128,408,508</b>             | <b>8,401,256</b>  | <b>214,876,089</b> |

**STATEMENT OF CHANGES IN EQUITY (RESTATED)  
FOR THE YEAR ENDED 30 JUNE 2022**

|                                    | Note | Revaluation<br>Reserves<br>KES'000 | General<br>Reserves<br>KES'000 | Grants<br>KES'000 | Total<br>KES'000   |
|------------------------------------|------|------------------------------------|--------------------------------|-------------------|--------------------|
| Balance as at 01.07.2021           |      | 93,784,610                         | 97,076,196                     | 2,015,030         | 192,875,836        |
| Profit After Tax                   |      | 0                                  | 7,685,480                      | 0                 | 7,685,480          |
| <b>Other Comprehensive Income;</b> |      |                                    |                                |                   |                    |
| Unrealized Foreign Exchange Gain   | 26   | 0                                  | 4,574,070                      | 0                 | 4,574,070          |
| <b>Others;</b>                     |      |                                    |                                |                   |                    |
| Revaluation Effect/Adjustments     | 26   | (8,423,528)                        | 8,423,528                      | 0                 | 0                  |
| Other Adjustments                  |      | 0                                  | 1,780                          | 0                 | 1,780              |
| Transfer of Bonus to Reserve       | 26   | 0                                  | 1,151,415                      | 0                 | 1,151,415          |
| Transfer/effect of KFS merger      | 26   | 430,425                            | 730,054                        | 4,145,139         | 5,305,618          |
| Effect of Deferred Tax             | 30   | 0                                  | 2,692,470                      | 0                 | 2,692,470          |
| Free trade Area                    | 27   | 0                                  | 0                              | 1,000,000         | 1,000,000          |
| Revaluation Gain on Loans          | 29   | 0                                  | 5,340,098                      | 0                 | 5,340,098          |
| Grants                             | 27   | 0                                  | 312,484                        | 1,735,778         | 2,048,262          |
| <b>Balance as at 30.06.2022</b>    |      | <b>85,791,507</b>                  | <b>127,987,575</b>             | <b>8,895,947</b>  | <b>222,675,029</b> |

STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2022

|                                    | Note | Revaluation<br>Reserves<br>KES'000 | General<br>Reserves<br>KES'000 | Grants<br>KES'000 | Total<br>KES'000   |
|------------------------------------|------|------------------------------------|--------------------------------|-------------------|--------------------|
| Balance as at 01.07.2021           |      | 93,784,610                         | 97,076,196                     | 2,015,030         | 192,875,836        |
| Profit After Tax                   |      | 0                                  | 7,690,043                      | 0                 | 7,690,043          |
| <b>Other Comprehensive Income;</b> |      |                                    |                                |                   |                    |
| Unrealized Foreign Exchange Gain   | 26   | 0                                  | 4,574,070                      | 0                 | 4,574,070          |
| <b>Others;</b>                     |      |                                    |                                |                   |                    |
| Revaluation Effect/Adjustments     | 26   | (8,423,528)                        | 8,423,528                      | 0                 | 0                  |
| Other Adjustments                  |      | 0                                  | 1,780                          | 0                 | 1,780              |
| Transfer of Bonus to Reserve       |      | 0                                  | 1,151,415                      | 0                 | 1,151,415          |
| Transfer/effect of KFS merger      |      | 430,425                            | 742,516                        | 4,145,139         | 5,318,080          |
| Effect of Deferred Tax             | 30   | 0                                  | 2,692,464                      | 0                 | 2,692,464          |
| Free trade Area                    | 27   | 0                                  | 0                              | 1,000,000         | 1,000,000          |
| Revaluation Gain on Loans          | 29   | 0                                  | 5,340,098                      | 0                 | 5,340,098          |
| Grants                             | 27   | 0                                  | 312,484                        | 1,735,778         | 2,048,262          |
| <b>Balance as at 30.06.2022</b>    |      | <b>85,791,507</b>                  | <b>128,004,594</b>             | <b>8,895,947</b>  | <b>222,692,048</b> |

**STATEMENT OF CASH FLOW  
FOR THE YEAR ENDED 30 JUNE 2023**

|                                                     |     |                     | RESTATED            |                     |
|-----------------------------------------------------|-----|---------------------|---------------------|---------------------|
|                                                     | No  | 2022/2023           | 2021/2022           | 2021/2022           |
| OPERATING ACTIVITIES:                               | tes | KES'000             | KES'000             | KES'000             |
| Cash Generated from Operations                      | 33  | 26,129,155          | 19,949,253          | 19,949,253          |
| Interest Received                                   | 14  | 265,568             | 166,877             | 166,877             |
| Interest Paid                                       | 15  | (445,587)           | (18,512)            | (18,512)            |
| Tax Paid                                            | 23  | (4,097,398)         | (5,450,664)         | (5,450,664)         |
| Dividends Paid                                      |     | (1,596,921)         | 0                   | 0                   |
| Special Dividend paid                               | 38  | (1,745,000)         | 0                   | 0                   |
| Pension paid                                        |     | (535,200)           | (535,200)           | (535,200)           |
| <b>Net cash generated from Operating Activities</b> |     | <b>17,974,617</b>   | <b>14,111,754</b>   | <b>14,111,754</b>   |
| <b>INVESTING ACTIVITIES:</b>                        |     |                     |                     |                     |
| Purchase of Property, Plant and Equipment           | 36  | (18,642,358)        | (30,899,488)        | (30,899,488)        |
| Direct Acquisitions PPE                             |     | (178,525)           | (706,893)           | (706,893)           |
| Proceeds from Disposal of Assets                    |     | 34,483              | 9,860               | 9,860               |
| Purchase of Long-Term Investment                    | 20  | (8,631)             | (12,593)            | (12,593)            |
| Proceeds from sale of surveyed stock                |     | 3,731               | 0                   | 0                   |
| <b>Net Cash used in Investing Activities</b>        |     | <b>(18,791,300)</b> | <b>(31,609,114)</b> | <b>(31,609,114)</b> |
| <b>FINANCING ACTIVITIES:</b>                        |     |                     |                     |                     |
| Receipt of GoK Project Funds                        | 37  | 350,000             | 5,464,000           | 5,464,000           |
| Receipts from Stanbic Loans                         | 29  | 1,512,012           | 4,768,204           | 4,768,204           |
| Payment of JICA I Loan                              | 29  | (918,487)           | (396,043)           | (396,043)           |
| Receipt of JICA II Loan                             | 29  | 3,257,882           | 9,090,230           | 9,090,230           |
| Receipt of JICA Dongo Kundu Grant                   | 27  | 207,657             | 0                   | 0                   |
| Receipt of JICA Dongo Kundu loan                    | 27  | 513,947             | 0                   | 0                   |
| <b>Net Cash generated from Financing Activities</b> |     | <b>4,923,011</b>    | <b>18,926,391</b>   | <b>18,926,391</b>   |
| <b>Net increase in Cash &amp; Cash Equivalent</b>   |     | <b>4,106,328</b>    | <b>1,429,031</b>    | <b>1,429,031</b>    |
| <b>Cash &amp; Cash Equivalents as at 1 July</b>     |     | <b>4,263,027</b>    | <b>2,833,996</b>    | <b>2,833,996</b>    |
| <b>Cash and Cash Equivalents as at 30 June</b>      | 24  | <b>8,369,355</b>    | <b>4,263,027</b>    | <b>4,263,027</b>    |

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS  
FOR THE YEAR ENDED 30 JUNE 2023

|                                 | Final<br>Budget<br>2022/2023 | Actual<br>on<br>Comparable<br>Basis<br>2022/2023 | Performance<br>Difference<br>2022/2023 |                |
|---------------------------------|------------------------------|--------------------------------------------------|----------------------------------------|----------------|
|                                 | KES'000                      | KES'000                                          | KES'000                                | %              |
| <b>Revenue</b>                  |                              |                                                  |                                        |                |
| Operating Revenue               | 52,824,651                   | 57,733,206                                       | 4,908,555                              | 9.29%          |
| Other Incomes                   | 1,215,620                    | 1,211,129                                        | (4,491)                                | (0.37%)        |
| <b>Total Revenues</b>           | <b>54,040,271</b>            | <b>58,944,335</b>                                | <b>4,904,064</b>                       | <b>9.07%</b>   |
| <b>Expenses:</b>                |                              |                                                  |                                        |                |
| Administrative Expenses         | 4,433,075                    | 5,465,480                                        | (1,032,405)                            | (23.3%)        |
| Establishment Expenses          | 18,974,917                   | 19,158,645                                       | (183,728)                              | (0.97%)        |
| Operating Expenses              | 6,555,165                    | 6,766,761                                        | (211,596)                              | (3.23%)        |
| Depreciation & Amortization     | 11,369,286                   | 12,376,910                                       | (1,007,624)                            | (8.86%)        |
| <b>Total Operating Expenses</b> | <b>41,332,443</b>            | <b>43,767,796</b>                                | <b>(2,429,353)</b>                     | <b>(5.89%)</b> |
| <b>Operating Profit</b>         | <b>12,707,828</b>            | <b>15,176,539</b>                                | <b>2,474,711</b>                       | <b>19.43%</b>  |
| Finance Income                  | 320,000                      | 265,568                                          | (54,432)                               | (17.01%)       |
| Finance cost                    | (1,062,715)                  | (526,201)                                        | 536,514                                | 50.50%         |
| Impairment Loss                 | (100,000)                    | (43,092)                                         | 56,908                                 | 56.91%         |
| Other Gains                     | 9,000                        | 1,769,412                                        | 1,701,912                              |                |
| <b>Profit Before Tax</b>        | <b>11,874,113</b>            | <b>16,642,226</b>                                | <b>4,768,113</b>                       | <b>40.16%</b>  |

**Note:** PFM Act section 81(2) ii and iv requires Kenya Ports Authority, a national government entity, to present appropriation accounts showing the status of votes compared with the appropriation for the vote. IFRSs does not require entities complying with IFRSs to prepare budgetary information because most of the entities that apply IFRSs are private entities that do not make their budgets publicly available. However, for public sector entities, the PSASB has considered the requirements of the PFM Act, 2012 which these statements comply with, the importance that the budgetary information would provide to the users of the statements and the fact that the public entities make their budgets publicly available and decided to include this statement under the IFRSs compliant financial statements and a statement explaining any variations between actual expenditure and the sums voted.

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**

**(Cont'd)**

Explanation of variations of 10% over/under between actual and final budgeted amounts are provided under.

**Administrative Expenses**

The unfavourable variance is on account of the exchange rate between the Kenya shilling and US dollar on the USD denominated expenses such as software license fees, procurement equipment spares.

**Establishment Expenses**

The unfavourable variance is due to implementation of the new structure where additional posts were created in line with the work dynamics and the collective Bargaining agreement for the union staff.

**Depreciation & Amortization**

The unfavourable variance is due to earlier and higher capitalization of equipment and projects on earlier delivery and completion times.

**Finance Income**

The unfavourable variance is due to utilization of internal funds for major equipment procurements and projects implementation reducing funds availability for investment.

**Finance Cost**

The favourable variance resulted from the assumption that the new financing arrangements with Stanbic will be implemented at once. However, the arrangement is on a need basis (drawdown) at the actual point of equipment procurement.

**Impairment loss**

The favourable variance is due to reduction of impairment loss by low general provision for obsolete stock and PPE impairment.

**Other Gains**

The favourable variance resulted from realized gains on account of strengthening US dollar against the Kenya shilling on receivables payments.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2023****1. General Information**

Kenya Ports Authority is established by and derives its authority and accountability from Cap 391 of the laws of Kenya. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya with liaison offices in Uganda, Rwanda, and Burundi. The entity's principal activity is to develop, maintain, operate, improve, and regulate the Port of Mombasa, Port of Lamu and all other seaports along the Kenya coastline as well as ferry operations. In addition, the Authority manages Inland Waterways and Inland Container Depots at Embakasi, Naivasha, Eldoret and Kisumu in Kenya. At the cabinet level, the Authority is represented by the Cabinet Secretary for the Ministry of Roads and Transport. The Authority is domiciled in Kenya.

**2. Statement of Compliance and Basis of Preparation**

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, and the International Financial Reporting Standards (IFRSs). The preparation of financial statements in conformity with IFRSs allows the use of estimates and assumptions. It also requires management to exercise judgment in the process of applying the Authority's accounting policies.

Where necessary the comparative figures for the previous financial year (2021/2022) have been stated in the financial statements to conform to changes in presentation.

The financial statements were approved by the Board of Directors on 28 September 2023. The accounting policies applied in the preparation of these financial statements are set out below. The Authority adopted all the new and revised IFRS as adopted by the PSASB and IASB that are relevant to its operations and are effective for accounting periods beginning on 1 January 2022. The adoption of the standards did not have a material effect in the financial statements.

The financial statements are prepared and presented in Kenya Shillings (KES), which is the functional and reporting currency of the Authority, and all values are rounded to the nearest thousand (KES'000) unless otherwise stated. The financial statements are prepared on historical cost basis except for the recognition at fair value of financial instruments, impaired assets at their estimated recoverable amounts and actuarially determined assets at their present value.

**Going concern**

Based on the financial performance of the Authority and the risk management policies, the Board is of the opinion that the Authority is well placed to continue business in the foreseeable future. The financial report is therefore prepared on the going concern basis, which contemplates the continuity of normal business activities, the realization of assets and the settlement of liabilities in the ordinary course of business.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2023**

**3. Application of New and Revised International Financial Reporting Standards (IFRS)**

**i. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023**

At the reporting date certain new standards, amendments to the existing standards and interpretations have become mandatory. No standard, amendments or interpretations are expected to have a material impact.

**Amendments to IAS 1; Classification of Liabilities as Current or Non-current (issued in January 2020)**

**Description:** The amendments, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period.

**Effective date:** The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.

**Amendments to IAS 1; Disclosure of Accounting Policies (issued in February 2021).**

**Description:** The amendments, applicable to annual periods beginning on or after 1st January 2023, require entities to disclose their material accounting policy information rather than their significant accounting policies.

**Effective Date:** The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.

**Amendments to IAS 1 Presentation of Financial Statements and IFRS 1 First-time Adoption of International Financial Reporting Standards**

**Description:** The Amendments require that an Entity discloses its material accounting policies instead of significant accounting policies. The amendments also provide guidance on how an Entity can identify its material accounting policies.

**Effective Date:** The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.

**Amendment to IAS 1 Presentation of Financial Statements**

**Description:** The amendment clarifies how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.

**Effective Date:** The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.

**Amendments to IAS 7 - Statement of Cashflows and IFRS 7 Financial Instruments: Disclosure**

**Description:** Additional disclosure requirements regarding supplier finance arrangements.

**Effective Date:** The amendments are effective for annual reporting periods beginning on or after January 1, 2024. Early adoption is permitted.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2023**

**New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023 (Cont'd)**

**Amendments to IAS 8 - Accounting Policies, Errors, and Estimates**

**Description:** The Amendment replaces the definition of change in accounting estimate with the definition of accounting estimate. Under the New definition 'Accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty" Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error.

**Effective Date:** The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.

**Amendments to IAS 12 – Income Taxes**

**Description:** IAS 12, "Income Taxes" implements a so-called 'comprehensive balance sheet method' of accounting for income taxes which recognizes both the current tax consequences of transactions and events and the future tax consequences of the future recovery or settlement of the carrying amount of an entity's assets and liabilities. Differences between the carrying amount and tax base of assets and liabilities, and carried forward tax losses and credits, are recognized, with limited exceptions, as deferred tax liabilities or deferred tax assets, with the latter also being subject to a 'probable profits' test.

**Effective Date:** Earlier application is permitted. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.

**Amendments to IAS 12 - Income Taxes**

**Description:** Amendment to provide a temporary exception to the requirements regarding deferred tax assets and liabilities related to pillar two income taxes. An exception to the requirements in IAS 12 that an entity does not recognise and does not disclose information about deferred tax assets and liabilities related to the OECD pillar two income taxes.

**Effective Date:** The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.

**Amendments to IAS 12 - Income Taxes**

**Description:** Deferred Tax related to Assets and Liabilities arising from a Single Transaction. The amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.

**Effective Date:** The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2023**

**New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023 (Cont'd)**

**Amendments to IFRS 17 – Insurance Contracts**

Description: This Standard supersedes IFRS 4 Insurance Contracts. The Standard establishes the principles for the recognition, measurement, presentation and disclosure of Insurance contracts within the scope of the Standard. The objective of IFRS 17 is to ensure that Entities provide information that faithfully recognizes the contracts.

**Effective Date:** The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.

**Amendments to IAS 21 – The Effects of Changes in Foreign Exchange Rates**

Contains guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not.

**Description:** The International Accounting Standards Board (IASB) has published 'Lack of Exchangeability (Amendments to IAS 21)' that contains guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not. Amendments to clarify the accounting when there is a lack of exchangeability contains guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not.

**Effective Date:** The amendments are effective for annual reporting periods beginning on or after January 1, 2025. Early adoption is permitted.

**Early adoption of standards**

The Authority did not early- adopt any new or amended standards in the year.

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

### **4. Summary of Accounting Policies**

The significant accounting policies adopted in the preparation of these Financial Statements are set below;

#### **(a) Revenue Recognition**

IFRS 15 replaced the previous revenue recognition requirements in IAS 18 Revenue and applies to all revenue arising from contracts with customers. According to the new standard, revenue is recognized when a customer obtains control of the goods or services.

Revenue represents the fair value of consideration received or receivable for the sale of services in the course of the Authority's activities. It is recognized when it is probable that future economic benefits will flow to the Authority and the amount of revenue can be measured reliably. Determining the timing of the transfer of control – at a point in time or over time – requires judgment.

It is stated net of Value Added Tax (where applicable), rebates and trade discounts. Discounts are included as part of finance costs.

The Authority's revenue mainly consists of revenue from port-related services and lease rentals. Where the Authority is an agent between a service provider and the end customer, an administrative fee is recognized as revenue on satisfaction of the performance obligation.

Revenues earned by the Authority are recognized on the following basis.

**Sale of services** are recognized upon performance of the services and customer acceptance. The Authority only bills once the consignee for the cargo has been determined and upon lodgment of customs approved documents. It is only then that it is probable that future economic benefits will flow to the Authority and the amount of revenue can be measured reliably.

**Rental income** is recognized at the time of billing as per the effective lease agreements. Where lease agreements are under preparation, billing is based on letters of offers, signed, and accepted by the tenants. A signed letter of offer is a commitment from the tenant.

**Finance income** comprises of Interest receivable from bank deposits and investments in securities and is recognized in profit or loss on a time proportion basis using the effective interest rate.

#### **(b) Property, Plant and Equipment**

All categories of property, plant and equipment are initially recognized at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure directly attributable to the acquisition of the assets. Computer software, including the operating system that is an integral part of the related hardware is capitalized as part of the computer equipment. All items in an asset category are re-valued every 5 years.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2023**

**Summary of Accounting Policies (Cont'd)**

**Property, Plant and Equipment (Cont'd)**

The categories of assets listed below were last re-valued in financial year 2018/2019: -

- Land and Buildings
- Plant and Equipment
- Basic Constructions
- Services and systems
- Intangible Assets

The exercise was undertaken by M/s Sec & M Limited. Details and qualification for the director of M/s Sec & M Ltd are;

- Director Name; H.M. Kaburu,
- M.A. (Valn & Ppty Mgmt.) University of Nairobi, MRICS No. 1280168
- B.A Land Econ (Hons) University of Nairobi, MISK No. 690, REA
- NEMA EIA/EA Lead Expert No 1025
- Chartered Valuation Surveyor/RV 405

The methodology, basis of valuation and significant assumptions made were in accordance with the procedures and guidelines as laid down by the international Assets Valuation Standards Committee. M/s Sec & M Co. Ltd valuations and appraisals are carried out in accordance with the RICS Appraisal and Valuation Standards and are Uniform Standards of Professional Appraisal Practice (USPAP) compliant. The valuer therefore considers all the three approaches to valuation.

Subsequent costs are included in the assets carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Authority and the cost of the item can be measured reliably. Repairs and maintenance expenses are charged to the profit or loss account in the year in which they are incurred.

Increases in the carrying amount arising on revaluation are recognized in other comprehensive income and accumulated in equity under the heading of revaluation surplus. Decreases that offset previous increases of the same asset are recognized in other comprehensive income.

All other decreases are charged to the Statement of Profit or Loss and Other Comprehensive Income. Annually, the difference between depreciation charge based on the valued carrying amount of the asset charged to the Statement of Profit or Loss and Other Comprehensive Income and depreciation based on the asset's original cost is transferred from the revaluation surplus reserve to retained earnings.

**(c) Depreciation and impairment of property, plant, and equipment**

Freehold land and capital works in progress are not depreciated. Capital works in progress relates to the costs of ongoing but incomplete works on buildings and other civil works and installations.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

### Summary of Accounting Policies (Cont'd)

Depreciation on property, plant and equipment is calculated using the straight-line method to write down the cost or the revalued amount of each asset to its residual value over its estimated useful life using the following annual rates;

### Depreciation and impairment of property, plant, and equipment (Cont'd)

|                                             | <b>Rate</b> |
|---------------------------------------------|-------------|
| Dredging/reclamation                        | 2.5%        |
| Building commercial and non-commercial      | 2.5%        |
| Rail lines                                  | 2.5%        |
| Roads and Bridges                           | 2.5%        |
| Quays/wharves                               | 2.5%        |
| Berthing Tugs                               | 5%          |
| Pilot & Mooring Boats and Navigational Aids | 10%         |
| Cranes                                      | 10%         |
| Forklifts/Reach takers                      | 20%         |
| Tractors/Trailers                           | 20%         |
| Vehicles                                    | 20%         |
| Equipment                                   | 20%         |
| Furniture                                   | 20%         |
| Data processing equipment                   | 33.33%      |
| Software/ Intangibles                       | 33.33%      |

Depreciation is charged from the date of asset recognition and ceases on the date of asset disposal.

Items of property, plant and equipment are reviewed annually for impairment. Where the carrying amount of an asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognized so that the asset is written down immediately to its estimated recoverable amount.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are considered in determining operating profit. On disposal of revalued assets, amounts in the revaluation surplus reserve relating to that asset are transferred to retained earnings.

### (d) Impairment of non-financial assets

Non-financial assets that are carried at amortized cost are reviewed at the end of each reporting period for any indication that an asset may be impaired.

If any such indication exists, an impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2023****Summary of Accounting Policies (Cont'd)****(e) Intangible Assets**

Intangible assets comprise purchased computer software licenses and other software, which are capitalized based on costs incurred to acquire and bring to use the specific software. These costs are amortized over the estimated useful life of the intangible assets from the year that they are available for use, usually over three years.

**(f) Amortization and impairment of intangible assets**

Amortization is calculated on the straight-line basis over the estimated useful life of computer software of three years.

All computer software is reviewed annually for impairment. Where the carrying amount of an intangible asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognized so that the asset is written down immediately to its estimated recoverable amount.

**(g) Assets Held for Sale**

Non-current assets held for sale (or disposal) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at Net Book Value.

**(h) Leased Property**

Standalone properties for which lease rentals are received are treated in the Statement of Financial Position according to the nature of the asset.

**(i) Retirement Benefits**

The Authority operates a defined benefit and defined contribution plans for eligible employees. The Authority is running the two schemes in parallel with the intention of phasing out the defined benefit scheme in the long run.

The defined benefit scheme was closed effectively on 31<sup>st</sup> December 2012 to new entrants and future accrual of benefits for members below age 45 as at 31<sup>st</sup> December 2011 and also those above age 45 who opted to accrue their future service benefits in the new defined contribution scheme.

In addition, the Authority's makes contributions to the Social Security Fund for employees other than those covered under the retirement benefit scheme and those in other countries of operation, which are statutory, defined. The Authority's obligations under these schemes are limited to specific contributions as legislated from time to time.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2023****Summary of Accounting Policies (Cont'd)****Retirement Benefits (Cont'd)****Defined Benefit**

The Scheme is established and governed by a trust deed with effect from 1<sup>st</sup> January 1998. The Scheme is administered by Actuarial Services (E.A) Ltd ('ACTSERV'). The Scheme assets are invested by Co-op Trust Investment Services and Britam Asset Managers (Kenya) Limited in a segregated fund. The Scheme was previously administered by Zamara Actuaries, Administrators and Consultants Ltd. Employees contribute to the fund at the rate of 7.5% of their respective basic salary while the employer's current contribution rate is 14.7% of the basic salary.

The Authority recognizes actuarial gains and deficit in its books of accounts whenever an actuarial valuation of the scheme is done. Actuarial gains are recognized as non-current asset (excess of accrued scheme assets less liabilities) while deficits are recognized as long term liabilities. Where there is a deficit, the Authority increases its contribution to the scheme to offset the actuarial deficit. Where there is a gain, the Authority stops payment of additional contributions to the scheme.

The scheme is assessed annually by independent actuaries using the actuarial assumptions adopted. The valuation method used is known as the 'Attained Age Method'. Under this method, the future service contribution rate is calculated as the level percentage of payroll which would be adequate to fund the cost of future benefits of existing members arising over the full period to their normal retirement date. Allowances have been made for assumed future salary increase and pension increase, mortality, and investment returns.

The objective of this method of funding is to aim for a funding level equal to 100% and then accumulate sufficient surplus in the earlier years to maintain the contribution rate even though the average age of the membership will increase.

As at 30 June 2023, the scheme had an actuarial deficit of KES 6,451.8 million (KES 3,576.2 million deficit FY 2021/2022). The actuarial report as at 31<sup>st</sup> December 2022 showed an actuarial deficit of KES 6,987 million. Within the year the Authority made additional monthly payments of KES 44.6 million as part of the remedial plan to fund the deficit. The remedial plan as per the amortization schedule runs for six years.

The last discretionary pension increase was awarded as of 31<sup>st</sup> December 2017 and effected in November 2018 in line with Rule 17, the next pension increase shall be actuarially determined. There were no pension increases granted to pensions in payments and deferred pensions during the inter-valuation period. Rule 17 of the Deed of Amendments dated 12 May 2020 stipulates that 'The Founder and the Trustees shall once every (3) years review the level of pensions in payment.

The Scheme was underfunded as at 31<sup>st</sup> December 2022. The assets taken at market value represented 74.2% of the accrued liabilities at this date.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2023**

**Summary of Accounting Policies (Cont'd)  
Retirement Benefits (Cont'd)**

**Defined Contribution**

The Authority started a defined contribution scheme for her employees who were below the age of 45 as at 31<sup>st</sup> December 2012. The employees contribute 10% of their basic salary while the employer contributes 20% of the employee's basic salary.

The employer's contribution is charged to the Statement of Profit or Loss and Other Comprehensive Income for the period it relates. Both the employee and employer contribution are paid to an independent scheme which manages the resources pooled. Employees will benefit from the employer's contributions on meeting specific criteria set out in the pension scheme trust deed.

The employer's contributions payable for DC scheme of KES 1,374 million (FY 2021/2022 KES 1,302 million) was recognized in the Statement of Profit or Loss and Other Comprehensive Income.

**(j) Inventories**

Inventories are stated at cost. Cost of inventories includes import duties, non-refundable taxes, transport, and handling costs, and any other directly attributable costs less trade discounts, rebates, and similar items. The cost of inventories is assigned by weighted average cost formula. The Authority has a policy of stocking strategic consumable spare parts for a line of operational equipment. The spares are included in the inventory as of the Statement of Financial Position date. During the year approval to write off stock that had been provided for in 2018 was granted.

**(k) Trade and other receivables**

Trade receivables are stated at their nominal value and reduced by appropriate allowances for estimated irrecoverable amounts.

Objective evidence of impairment of the receivables is when there is significant financial difficulty of the counterparty or when there is a default or delinquency in payment according to agreed terms. When a trade receivable is considered uncollectible, it is written off against the Statement of Profit or Loss and Other Comprehensive Income while adjusting the impairment provision.

**(l) Financial Instruments**

On initial recognition a financial asset is classified and measured at:

➤ **Amortized cost;**

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

### Summary of Accounting Policies (Cont'd) Financial Instruments (Cont'd)

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Gains and losses are recognized in profit or loss when the asset is derecognized or impaired. The Authority's financial assets measured at amortized cost includes trade receivables, other receivables and cash and cash equivalents.

Trade receivables are amounts due from customers for or services performed in the ordinary course of business. They are generally due for settlement within 90 days and therefore are all classified as current. Trade receivables are recognized initially at the amount of consideration that is unconditional. The Authority holds the trade receivables with the objective to collect the contractual cash flows. Details about the Authority's impairment policies and the calculation of the loss allowance are provided in Risk Management.

➤ **Fair value through other comprehensive income ('FVOCI') –**

**Debt instrument:** A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

**Equity instrument:** On initial recognition of an equity investment that is not held for trading, the Authority may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

➤ **Fair value through profit or loss ('FVTPL').**

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL.

In addition, on initial recognition, the Authority may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets are not reclassified subsequent to their initial recognition unless the business model changes for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model. At the reporting date, the Authority has not identified a change in its business model.

### **Derecognition of financial assets**

The Authority derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2023**

**Summary of Accounting Policies (Cont'd)**  
**Financial Instruments (Cont'd)**

financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred and it does not retain control of the financial asset.

**Impairment of non-derivative financial assets**

The financial assets at amortized cost consist of trade receivables and cash and cash equivalents.

Trade and other receivables are initially recognized at fair values and subsequently measured at amortized cost using the effective interest method, less an allowance for Expected Credit Loss ("ECL").

The Authority applied the 'simplified approach' for determining the allowance for ECL for trade receivables, where lifetime ECL are recognized in the Profit and Loss at initial recognition of receivables and updated at each reporting date. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of the receivable. When determining the allowance for ECL, the Authority's considers reasonable and supportable information that is relevant and available for customer types. This includes both qualitative and quantitative information based on the Authority's historical experience and general economic factors. Loss events include financial difficulty or bankruptcy of the debtor, and breaches of contracts.

Trade and other receivables are written off against the allowance for ECL when there is no reasonable expectation of recovery. Subsequent recoveries of amounts previously written off are recognized in the statement of Profit or Loss. The Authority assumes that the credit risk on a financial asset increases significantly if it is more than 90 days past due.

**Non-derivative financial liabilities Classification, initial recognition, and measurement**

The Authority's non-derivative financial liabilities consist of loans and borrowings, amounts due to related parties, and trade and other payables. All non-derivative financial liabilities are recognized initially at fair value less any directly attributable transaction costs. The Authority classifies all its non-derivative financial liabilities as financial liabilities to be carried at amortized cost using effective interest method.

The subsequent measurement of non-derivative financial liabilities are carried at their amortized cost using the effective interest method.

The Authority derecognizes a financial liability when its contractual obligations are discharged or cancelled or expired. The Authority also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

• **Offsetting**

Financial assets and liabilities are offset, and the net amount reported in the Statement of Financial Position only when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liabilities simultaneously.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2023****Summary of Accounting Policies (Cont'd)****(m) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at various commercial banks at the end of the financial year.

**(n) Borrowing**

Interest bearing bank loans are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption, are accounted for on an accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the year in which they arise.

**(o) Borrowing Costs**

Borrowing costs that are attributable to acquisition, construction or production of a qualifying asset are capitalized as part of the asset. The costs refer to all costs incurred in the acquisition and management of the borrowed funds during the qualifying asset construction.

In the case of general borrowings, the borrowing cost is charged to the Statement of Profit or Loss and Other Comprehensive Income.

Capitalization of borrowing costs ceases when all activities necessary to prepare the qualifying asset for its intended use are complete. All other borrowing costs are recognized in the profit or loss in the year in which they are incurred.

**(p) Trade and other payables**

Trade and other payables are non-interest bearing and are carried at cost, which is consideration to be paid in future in respect of goods and services supplied, whether billed to the Authority or not.

**(q) Taxation****Income Tax**

Income tax expense is the aggregate amount charged/ (credited) in respect of current tax and deferred tax in determining the profit or loss for the year. Tax is recognized in the Statement of Profit or Loss and Other Comprehensive Income except when it relates to items recognized in other comprehensive income, in which case it is also recognized in other comprehensive income, or to items recognized directly in equity, in which case it is also recognized directly in equity.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2023****Summary of Accounting Policies (Cont'd)****Taxation (Cont'd)****Current Tax**

Current income tax is the amount of income tax payable on the taxable profit for the year, and any adjustment to tax payable in respect of prior years, determined in accordance with the Kenyan Income Tax Act.

**Deferred Tax**

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilized. Recognized and unrecognized deferred tax assets are reassessed at the end of each reporting period. The recognized amount is adjusted to reflect the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

**(r) Translation of Foreign Currencies**

On initial recognition, all transactions are recorded in the functional currency, which is Kenya Shillings. Transactions in foreign currencies during the year are converted into the functional currency using the exchange rate prevailing at the transaction date. Monetary assets and liabilities at the Statement of Financial Position date denominated in foreign currencies are translated into the functional currency using the exchange rate prevailing as at that date. The resulting foreign exchange gains and losses from the settlement of such transactions and from year-end translation are recognized on a net basis in the Statement of Profit or Loss and Other Comprehensive Income in the year in which they arise.

**(s) Short term employee benefits**

The estimated monetary liability for employees accrued at the Statement of Financial Position date is recognized as an employment cost accrual. Gratuity earned at Statement of Financial Position date is accrued and recognized as an employee cost in the Statement of Profit or Loss and Other Comprehensive Income.

**(t) Dividends**

In line with the Dividend policy, Directors recommend dividend payout of 7.5% of profit after tax to the National Treasury. Dividend payment is pegged on financial statements being duly audited and certified by the Office of the Auditor General. Dividends are charged to equity in the period in which they are paid.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2023**

**Summary of Accounting Policies (Cont'd)**

**(u) Grants from donors and the National Government**

The grants are received in form of direct payments to suppliers or contractors for the construction of specific capital projects of the Authority. The grants are recognized in the Statement of Financial Position and realized in the Statement of Profit or Loss and Other Comprehensive Income over the useful life of the assets.

**(v) Comparative figures**

As per IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" any material error discovered in the current reporting period which belongs to the previous period is required to be corrected and presented by appropriately restating the previous period financial statements.

During the year the Authority passed prior period adjustment on; computation of current and deferred tax and tax provision, computation of city & municipal land rates expenses under administrative expenses, accrued expenditure under operating expenses and depreciation of asset handed over from KRC in Nairobi, Naivasha and Kisumu Pier. The Authority assessed the impact of the prior period errors and appropriately restated the comparative figures for the previous financial year 2021/2022.

**(w) Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended 30 June 2023.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2023****5. Significant Judgements and Sources of Estimation Uncertainty**

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income, and expenses. The estimates and the associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances that prevailed during the period.

The Board has reassessed its assumptions and estimates used in the measurement of assets and liabilities at the reporting date against the background of the economic recovery from the impact of COVID-19 pandemic, Kenya's post-election uncertainty in operating environment, impact of depreciating Kenya shilling and supply distortions from the Russia – Ukraine conflict. There is no indication of any significant impairment or valuation risks for existing receivables and other assets or liabilities. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

In the process of applying the Authority's accounting policies, management has made judgment in determining.

- The depreciation rates and impairment of PPE, PPE balances represent a significant component of the Authority's assets. PPEs are recorded at cost and depreciated on a straight-line basis over the estimated useful lives of the assets. The management reviews the estimated useful lives of property, plant and equipment on an annual basis based on factors such as expected level of usage, forecasts, and assumptions. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above.
- Basis of Valuation and fair value measurement – in estimating the fair value of assets and liabilities, management uses market observable data where available. Where not available the management uses value of identical assets and liabilities or engages a third party to perform the valuation.
- ECL of Trade receivables: At each reporting date, the Authority assesses whether trade receivables are credit- impaired. Management makes judgement on the collectability of individual customer accounts taking into consideration the credit worthiness and financial condition of those customers. The Authority also records an allowance for receivables based on management's collective assessment of their collectability taking into consideration factors such as including historical experience of credit losses and the aging of the receivables with allowances generally increasing as the receivables age.
- The amortization of Intangible assets
- The impairment of long-term investments in Kenya National Shipping Line, Consolidated Bank and deposits in Chase Bank Ltd in receivership-KDIC,
- Provisions for obsolete inventory based on frequency of usage either dormant or slow moving and technological obsolescence where the inventory can no longer be utilized due to change in technology and lack of support for the technology by the vendors.
- Deferred tax assets and liabilities the probability that the tax asset will be utilized in future, or the liability will crystalize.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2023**

**Significant Judgements and Sources of Estimation Uncertainty (Cont'd)**

- The recognition of Retirement Benefit Asset/Liability, Judgments required by actuaries in respect of discount rates, future salary increments, mortality rates and inflation rates used for computation of defined benefit liability.
- **Chase Bank (IR) and SBM Bank Deposits**

Chase Bank Ltd. was placed under receivership in April 2016 by Central Bank of Kenya. The Authority's Board made a 25% impairment provision on the deposits during the 336<sup>th</sup> regular meeting held in December 2017.

- **Revenue Recognition**

As stated in Note 4 (a) on Sales of services; Revenue represents the fair value of consideration received or receivable for the sale of services in the course of the Authority's activities. It is recognized when it is probable that future economic benefits will flow to the Authority and the amount of revenue can be measured reliably. Determining the timing of the transfer of control – at a point in time or over time – requires judgment.

On rental income, where lease agreements are under preparation, billing is based on letters of offers, signed, and accepted by the tenants. A signed letter of offer is a commitment from the tenant.

- **Contingent Liabilities**

The management consults with its legal counsel on matters related to litigation, and other experts both within and outside the Authority with respect to matters in the ordinary course of business. As at the reporting date, the Authority was involved in various legal proceedings where it has been vigorously defending its claims. Assessment on whether the risk of loss is remote, possible, or probable requires significant judgment given the complexities involved.

- **Accounting for leases**

Accounting for leases under IFRS 16 involves the use of judgements, estimates and assumptions that impact the amounts recognized as right-of-use assets and lease liabilities. The Authority does not also recognize leases of low-value assets and or leases it has no right of control on the Statement of Financial Position, but instead recognizes an expense on a straight-line basis.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

| 6. Operating Revenue         | 2022/2023         | 2021/2022         |
|------------------------------|-------------------|-------------------|
|                              | KES'000           | KES'000           |
| Pilotage                     | 730,534           | 614,971           |
| Tug Services Dues            | 2,181,928         | 1,792,308         |
| Mooring                      | 397,137           | 335,639           |
| Navigational Dues            | 311,428           | 264,024           |
| Port Dues                    | 705,159           | 591,804           |
| Dockage                      | 809,935           | 607,508           |
| Fresh Water - Normal         | 1,372             | 1,796             |
| Laid Up Vessels              | 0                 | 169               |
| Security                     | 187,675           | 160,221           |
| Stevedoring                  | 18,198,866        | 15,191,434        |
| Hire of Labor/Equipment      | 161,082           | 206,904           |
| Handling of Empty Containers | 1,892,531         | 2,366,688         |
| Handling of Full Containers  | 38,076            | 1,640             |
| Shore handling               | 7,386,979         | 5,862,856         |
| Re Marshaling Charges        | 1,072,688         | 1,123,897         |
| Container Stripping/Stuffing | 3,238             | 2,206             |
| Verification Charges         | 16                | 1,272             |
| Storage of General Cargo     | 30,120            | 189,726           |
| Storage - Empty Containers   | 379,654           | 191,985           |
| Storage-Full Containers      | 6,460,366         | 4,602,076         |
| Jetty Fees                   | 1,472             | 1,137             |
| Licenses                     | 285,256           | 183,273           |
| Other Revenue                | 57,002            | 64,691            |
| Wharfage                     | 16,329,708        | 14,905,165        |
| Sale of Fresh Water          | 225               | 200               |
| Other Miscellaneous Revenue  | 110,759           | 75,192            |
| <b>TOTAL</b>                 | <b>57,733,206</b> | <b>49,338,782</b> |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

| <b>7. Other Income:</b>        | <b>2022/2023</b> | <b>2021/2022</b> |
|--------------------------------|------------------|------------------|
|                                | <b>KES'000</b>   | <b>KES'000</b>   |
| Toll Collections               | 552,525          | 545,644          |
| Rent & Rates Receivable        | 277,702          | 262,900          |
| Recovery from Housed Employees | 115,164          | 117,162          |
| Sale of Passes                 | 111,595          | 127,479          |
| Sale of Books                  | 549              | 0                |
| Sundry Income                  | 153,594          | 247,091          |
| <b>TOTAL</b>                   | <b>1,211,129</b> | <b>1,300,276</b> |

| <b>8. Administrative Expenses:</b>  | <b>2022/2023</b> | <b>RESTATED<br/>2021/2022</b> | <b>2021/2022</b> |
|-------------------------------------|------------------|-------------------------------|------------------|
|                                     | <b>KES'000</b>   | <b>KES'000</b>                | <b>KES'000</b>   |
| Telephone/Telex/Fax Services        | 10,074           | 9,371                         | 9,371            |
| Water Supply Services               | 402,448          | 304,739                       | 304,739          |
| City & Municipal Council Rates      | 42,005           | 55,682                        | 62,065           |
| Office Rental-Kampala               | 11,815           | 10,122                        | 10,122           |
| Library & Archives                  | 1,724            | 84                            | 84               |
| Nursery Schools                     | 5,011            | 8,651                         | 8,651            |
| Laundry                             | 266              | 0                             | 0                |
| Provisions & Catering               | 8,145            | 9,387                         | 9,387            |
| Cleaning of Carpets & Curtains      | 442              | 608                           | 608              |
| Directors Allowances                | 110,696          | 37,546                        | 37,546           |
| Furniture & Equipment               | 1,573            | 0                             | 0                |
| Printing & Stationery               | 90,973           | 72,451                        | 72,451           |
| Postage & Courier Services          | 1,757            | 1,816                         | 1,816            |
| Office Incidentals & Consumables    | 34,390           | 32,449                        | 32,449           |
| Entertainment Allowance             | 5,011            | 5,977                         | 5,977            |
| Club Membership Fees                | 2,611            | 1,890                         | 1,890            |
| Police Services                     | 13,234           | 13,924                        | 13,924           |
| Security Guards Services            | 124,071          | 122,797                       | 122,797          |
| Port Passes                         | 10,558           | 3,232                         | 3,232            |
| Publicity & Advertising             | 156,106          | 151,770                       | 151,770          |
| Subscriptions & Donations           | 15,744           | 11,909                        | 11,909           |
| Hire of Commuter Bus Service        | 254,449          | 165,861                       | 165,861          |
| Agricultural Society of Kenya Shows | 30,088           | 5,994                         | 5,994            |
| Sports                              | 146,078          | 107,950                       | 107,950          |
| Welfare                             | 37,727           | 27,325                        | 27,325           |
| Industrial Relations Costs          | 16,475           | 13,856                        | 13,856           |
| Development Studies                 | 176,864          | 85,731                        | 85,731           |

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

|                                        | <b>2022/2023</b> | <b>RESTATED<br/>2021/2022</b> | <b>2021/2022</b> |
|----------------------------------------|------------------|-------------------------------|------------------|
|                                        | <b>KES '000</b>  | <b>KES '000</b>               | <b>KES '000</b>  |
| <b>Administrative Expenses Cont'd:</b> |                  |                               |                  |
| Consultant Fees                        | 93,147           | 80,009                        | 80,009           |
| Training                               | 379,209          | 315,142                       | 315,142          |
| Curriculum Development                 | 0                | 54                            | 54               |
| Survey Fees                            | 993              | 2,617                         | 2,617            |
| Recruitment costs                      | 15,678           | 5,358                         | 5,358            |
| Retirement costs                       | 26,214           | 24,405                        | 24,405           |
| Computer & Network Maintenance         | 471,501          | 323,675                       | 323,675          |
| Licenses & Computers                   | 1,106,173        | 749,867                       | 749,867          |
| Insurance Premiums                     | 943,407          | 733,413                       | 733,413          |
| Un-Insured Loss                        | 27,076           | 4,351                         | 4,351            |
| Car Registration & Licenses            | 485              | 386                           | 386              |
| Stock Take Expenses                    | 1,846            | 1,584                         | 1,584            |
| WHT Imported Services                  | 0                | 6,365                         | 6,365            |
| Corporate Social Responsibility        | 262,299          | 281,879                       | 281,879          |
| Victuals & Snacks                      | 19,935           | 29,448                        | 29,448           |
| Wajibika                               | 18,974           | 3,160                         | 3,160            |
| Professional Education                 | 62,002           | 50,364                        | 50,364           |
| Audit Fees                             | 8,050            | 8,050                         | 8,050            |
| Bank Charges & Commission              | 27,265           | 8,408                         | 8,408            |
| Legal Fees                             | 251,032          | 156,507                       | 156,507          |
| Tax Penalties                          | 39,859           | 321,017                       | 321,017          |
| <b>TOTAL</b>                           | <b>5,465,480</b> | <b>4,367,181</b>              | <b>4,373,564</b> |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

| 9. Establishment Expenses: | 2022/2023         | 2021/2022         |
|----------------------------|-------------------|-------------------|
|                            | KES '000          | KES '000          |
| Basic Salary               | 7,522,175         | 7,369,252         |
| Overtime                   | 1,526,748         | 1,721,052         |
| Paid break Allowances      | 61,824            | 0*                |
| Staff Allowances           | 1,943,419         | 1,757,918         |
| 3rd Shift Allowance        | 247,933           | 0**               |
| Normal Staff Housing       | 2,631,393         | 2,631,207         |
| Leased Staff Housing       | 24,777            | 35,275            |
| Special Accommodation      | 7,796             | 17,651            |
| Duty Travel                | 409,327           | 402,284           |
| Leave Travel               | 250,673           | 258,586           |
| Transport Allowance        | 1,584,374         | 1,492,320         |
| Intern Allowances          | 4,008             | 11,867            |
| Staff Pension-DC           | 1,374,162         | 1,302,325         |
| Staff Pension-DB           | 84,372            | 103,277           |
| Staff Gratuity             | 29,803            | 19,223            |
| Long Service Awards        | 4,170             | 0***              |
| Social Security            | 36,756            | 1,205             |
| Medicines                  | 345,255           | 353,496           |
| Hospital/Referral Bills    | 774,649           | 726,098           |
| First Aid                  | 12,885            | 12,135            |
| Medical Education Expenses | 14,344            | 22,533            |
| Incentive Scheme           | 267,802           | 324,196           |
| <b>TOTAL</b>               | <b>19,158,645</b> | <b>18,561,900</b> |

At the close of the year, the staff strength was 6,480 (FY2021/22; 6,755). A total of 298 employees existed while 6 employees were recruited. 48 employees were promoted in the year.

\*Included in overtime in FY 2021/2022. Separated in FY 2022/2023 for better clarity

\*\* Included in overtime in FY 2021/2022. Separated in FY 2022/2023 for better clarity

\*\*\*Included in Incentive Scheme in FY 2021/2022. Separated in FY 2022/2023 for better clarity

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

| 10. Operating Expenses:         | 2022/2023        | RESTATED<br>2021/2022 | 2021/2022        |
|---------------------------------|------------------|-----------------------|------------------|
|                                 | KES'000          | KES'000               | KES'000          |
| Operational / Running Supplies  | 752,485          | 687,830               | 697,425          |
| Marine Spares                   | 680,130          | 671,803               | 671,803          |
| Diving & Signaling Equip.       | 50               | 820                   | 820              |
| Buoys                           | 5,408            | 1,625                 | 1,625            |
| Flowers & Plants                | 548              | 367                   | 367              |
| Crane Spares                    | 728,565          | 485,971               | 485,971          |
| Fuel                            | 1,782,757        | 1,291,295             | 1,291,295        |
| Oils and Lubricants             | 155,440          | 108,206               | 108,206          |
| Cleansing Agents                | 3,109            | 8,755                 | 8,755            |
| Uniforms & Clothing             | 128,755          | 62,411                | 62,411           |
| Cleaning Implements/ Detergents | 28,850           | 23,039                | 23,039           |
| Workshop Tools and Equipment    | 70,085           | 26,829                | 26,829           |
| Comm./ Equipment Spares         | 38,095           | 37,693                | 37,693           |
| Medical Equipment               | 16,706           | 14,045                | 14,045           |
| Repairs: Port Infrastructure    | 643,946          | 566,958               | 566,958          |
| Electricity Services            | 584,081          | 467,523               | 467,523          |
| Cargo Verification              | 194,167          | 186,895               | 186,895          |
| Mobile Plant Spares             | 430,079          | 281,963               | 281,963          |
| Electrical Spares               | 309,040          | 143,147               | 143,147          |
| Tyres and Tubes                 | 135,654          | 145,420               | 145,420          |
| Refrigeration/ Air Conditioning | 41,488           | 33,112                | 33,112           |
| Batteries Charges and Clocks    | 37,323           | 16,137                | 16,137           |
| <b>TOTAL</b>                    | <b>6,766,761</b> | <b>5,261,844</b>      | <b>5,271,439</b> |

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2023**

**11. Property, Plant & Equipment**  
**For the Year Ended 30 June 2023**

| COST / VALUATION                | Land<br>Leased Out | Land and<br>Buildings | Plant Equipment,<br>Motor Vehicles<br>and Furniture | Services<br>and<br>Systems | Basic<br>Constructions | Balance as at<br>30 June, 2023<br>KES'000 |
|---------------------------------|--------------------|-----------------------|-----------------------------------------------------|----------------------------|------------------------|-------------------------------------------|
|                                 | KES'000            | KES'000               | KES'000                                             | KES'000                    | KES'000                |                                           |
| Balance as at 01.07.2022        | 15,192,362         | 77,356,968            | 50,591,196                                          | 11,151,771                 | 94,415,428             | 248,707,725                               |
| Additions                       | 0                  | 3,205,314             | 10,362,934                                          | 1,712,538                  | 18,471,555             | 33,752,341                                |
| Assets held for sale            | 0                  | 0                     | (154,399)                                           | 0                          |                        | (154,399)                                 |
| Disposals                       | 0                  | 0                     | (271,008)                                           | 0                          |                        | (271,008)                                 |
| Write offs                      | 0                  | (7,750)               | (24,932)                                            | (4,537)                    | (65,848)               | (103,067)                                 |
| Re-classification Adj.          | 0                  | 292,283               | 0                                                   | 6,736                      |                        | 299,019                                   |
| <b>Balance as at 30.06.2023</b> | <b>15,192,362</b>  | <b>80,846,815</b>     | <b>60,503,791</b>                                   | <b>12,866,508</b>          | <b>112,821,135</b>     | <b>282,230,613</b>                        |
| <b>DEPRECIATION</b>             |                    |                       |                                                     |                            |                        |                                           |
| <b>Balance as at 01.07.2022</b> | 0                  | 2,328,490             | 14,334,175                                          | 4,686,399                  | 29,612,741             | 50,961,805                                |
| Charge for the year             | 0                  | 627,784               | 4,219,878                                           | 683,744                    | 6,643,607              | 12,175,013                                |
| Assets Held for sale            | 0                  | 0                     | (68,074)                                            | 0                          |                        | (68,074)                                  |
| Disposals                       | 0                  | 0                     | (62,803)                                            | 0                          |                        | (62,803)                                  |
| Eliminated on Write off         | 0                  | (3,867)               | (21,610)                                            | (2,363)                    | (49,744)               | (77,584)                                  |
| Re-classification Adj.          | 0                  | 11,926                | 0                                                   | 533                        |                        | 12,459                                    |
| <b>Balance as at 30.06.2023</b> | <b>0</b>           | <b>2,964,333</b>      | <b>18,401,566</b>                                   | <b>5,368,313</b>           | <b>36,206,603</b>      | <b>62,940,816</b>                         |
| N.B.V as at 01.07.2022          | 15,192,362         | 75,028,478            | 36,257,021                                          | 6,465,372                  | 64,802,687             | 197,745,920                               |
| <b>NBV as at 30.06.2023</b>     | <b>15,192,362</b>  | <b>77,882,482</b>     | <b>42,102,225</b>                                   | <b>7,498,195</b>           | <b>76,614,532</b>      | <b>219,289,797</b>                        |
| W.I.P as at 01.07.2022          | -                  | 328,300               | 2,857,237                                           | 36,397,592                 | 67,276,090             | 106,859,219                               |
| <b>W.I.P as at 30.06.2023</b>   |                    | <b>330,944</b>        | <b>1,691,991</b>                                    | <b>38,210,206</b>          | <b>51,138,256</b>      | <b>91,371,397</b>                         |
| <b>Sub Totals</b>               | 15,192,362         | 78,213,426            | 43,794,216                                          | 45,708,401                 | 127,752,788            | 310,661,193                               |
| Impairment                      |                    | (308,045)             | (510)                                               | (1,237)                    | (41,008)               | (350,800)                                 |
| <b>Grand Total</b>              | <b>15,192,362</b>  | <b>77,905,381</b>     | <b>43,793,706</b>                                   | <b>45,707,164</b>          | <b>127,711,780</b>     | <b>310,310,393</b>                        |
| <b>Assets with Nil Balances</b> |                    |                       |                                                     |                            |                        |                                           |
| Cost                            | 0                  | 28,619                | 4,302,629                                           | 497,225                    | 11,495,873             | <b>16,324,345</b>                         |
| Expected Depreciation           | 0                  | 715                   | 860,526                                             | 99,445                     | 287,397                | <b>1,248,083</b>                          |

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2023**  
**Property, Plant & Equipment**  
**For the Year Ended 30 June 2022 (RESTATED)**

|                                 | Land Leased<br>Out | Land and<br>Buildings | Plant Equipment,<br>Motor Vehicles and<br>Furniture | Services<br>and<br>Systems | Basic<br>Constructions | Balance as at<br>30 June,2022 |
|---------------------------------|--------------------|-----------------------|-----------------------------------------------------|----------------------------|------------------------|-------------------------------|
| <b>COST / VALUATION</b>         | <b>KES'000</b>     | <b>KES'000</b>        | <b>KES'000</b>                                      | <b>KES'000</b>             | <b>KES'000</b>         | <b>KES'000</b>                |
| Balance as at 01.07.2021        | 15,190,900         | 75,915,563            | 41,492,892                                          | 10,706,259                 | 81,401,192             | 224,706,806                   |
| Additions                       | 0                  | 646,174               | 4,768,014                                           | 382,579                    | 12,400,629             | 18,197,396                    |
| Assets Held for Sale            | 0                  | 0                     | (485,371)                                           | 0                          | 0                      | (485,371)                     |
| Disposals                       | 0                  | 0                     | (337,957)                                           | 0                          | 0                      | (337,957)                     |
| Re-classification Adj.          | 0                  | 0                     | 160,647                                             | 0                          | (160,647)              | 0                             |
| Kenya Ferry absorption          | 1,462              | 160,369               | 3,620,978                                           | 23,716                     | 772,064                | 4,578,589                     |
| Kenya Railways Assets           | 0                  | 634,862               | 1,371,993                                           | 39,217                     | 2,190                  | 2,048,262                     |
| <b>Balance as at 30.06.2022</b> | <b>15,192,362</b>  | <b>77,356,968</b>     | <b>50,591,196</b>                                   | <b>11,151,771</b>          | <b>94,415,428</b>      | <b>248,707,725</b>            |
| <b>DEPRECIATION</b>             |                    |                       |                                                     |                            |                        |                               |
| Balance as at 01.07.2021        | 0                  | 1,788,126             | 11,052,793                                          | 4,030,018                  | 22,892,712             | 39,763,649                    |
| Charge for the year             | 0                  | 534,950               | 3,483,620                                           | 655,195                    | 6,702,437              | 11,376,202                    |
| Eliminated on Disposal          | 0                  | 0                     | (154,700)                                           | 0                          | 0                      | (154,700)                     |
| Assets Held for Sale            | 0                  | 0                     | (247,377)                                           | 0                          | 0                      | (247,377)                     |
| Re-classification Adj.          | 0                  | 0                     | 2,873                                               | 0                          | (2,873)                | 0                             |
| Kenya Ferry absorption          | 0                  | 5,414                 | 196,966                                             | 1,186                      | 20,465                 | 224,031                       |
| <b>Balance as at 30.06.2022</b> | <b>0</b>           | <b>2,328,490</b>      | <b>14,334,175</b>                                   | <b>4,686,399</b>           | <b>29,612,741</b>      | <b>50,961,805</b>             |
| N.B.V as at 01.07.2021          | 15,190,900         | 74,127,437            | 30,440,099                                          | 6,676,241                  | 58,508,480             | 184,943,157                   |
| <b>NBV as at 30.06.2022</b>     | <b>15,192,362</b>  | <b>75,028,478</b>     | <b>36,257,021</b>                                   | <b>6,465,372</b>           | <b>64,802,687</b>      | <b>197,745,920</b>            |
| W.I.P as at 01.07.2021          | 0                  | 328,300               | 646,446                                             | 33,473,712                 | 59,120,480             | 93,568,938                    |
| <b>W.I.P as at 30.06.2022</b>   | <b>0</b>           | <b>328,300</b>        | <b>2,857,237</b>                                    | <b>36,397,592</b>          | <b>67,276,090</b>      | <b>106,859,219</b>            |
| <b>Sub Totals</b>               | <b>15,192,362</b>  | <b>75,356,778</b>     | <b>39,114,258</b>                                   | <b>42,862,964</b>          | <b>132,078,777</b>     | <b>304,605,139</b>            |
| Impairment                      | 0                  | (313,415)             | (509)                                               | (1,854)                    | (71,427)               | (387,205)                     |
| <b>Grand Total</b>              | <b>15,192,362</b>  | <b>75,043,363</b>     | <b>39,113,749</b>                                   | <b>42,861,110</b>          | <b>132,007,350</b>     | <b>304,217,934</b>            |
| <b>Assets with Nil Balances</b> |                    |                       |                                                     |                            |                        |                               |
| Cost                            | 0                  | 22,790                | 2,881,354                                           | 371,749                    | 1,530,481              | <b>4,806,374</b>              |
| Expected Depreciation           | 0                  | 570                   | 350,173                                             | 18,587                     | 38,262                 | <b>407,592</b>                |

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2023**  
**Property, Plant & Equipment**  
**For the Year Ended 30 June 2022**

|                                 | Land Leased<br>Out | Land and<br>Buildings | Plant Equipment,<br>Motor Vehicles and<br>Furniture | Services<br>and<br>Systems | Basic<br>Constructions | Balance As At<br>30 June, 2022 |
|---------------------------------|--------------------|-----------------------|-----------------------------------------------------|----------------------------|------------------------|--------------------------------|
| <b>COST / VALUATION</b>         | <b>KES'000</b>     | <b>KES'000</b>        | <b>KES'000</b>                                      | <b>KES'000</b>             | <b>KES'000</b>         | <b>KES'000</b>                 |
| Balance as at 01.07.2021        | 15,190,900         | 75,915,563            | 41,492,892                                          | 10,706,259                 | 81,401,192             | 224,706,806                    |
| Additions                       | 0                  | 646,174               | 4,768,014                                           | 382,579                    | 12,400,629             | 18,197,396                     |
| Disposals                       | 0                  | 0                     | (337,957)                                           | 0                          | 0                      | (337,957)                      |
| Assets Held for Sale            | 0                  | 0                     | (485,371)                                           | 0                          | 0                      | (485,371)                      |
| Re-classification Adj.          | 0                  | 0                     | 160,647                                             | 0                          | (160,647)              | 0                              |
| Kenya Ferry Absorption          | 1,462              | 160,369               | 3,620,978                                           | 23,716                     | 772,064                | 4,578,589                      |
| Kenya Railways Assets           | 0                  | 634,862               | 1,371,993                                           | 39,217                     | 2,190                  | 2,048,262                      |
| <b>Balance as at 30.06.2022</b> | <b>15,192,362</b>  | <b>77,356,968</b>     | <b>50,591,196</b>                                   | <b>11,151,771</b>          | <b>94,415,428</b>      | <b>248,707,725</b>             |
| <b>DEPRECIATION</b>             |                    |                       |                                                     |                            |                        |                                |
| Balance as at 01.07.2021        | 0                  | 1,788,126             | 11,052,793                                          | 4,030,018                  | 22,892,712             | 39,763,649                     |
| Charge for the year             | 0                  | 530,818               | 3,465,841                                           | 655,086                    | 6,574,463              | 11,226,208                     |
| Eliminated on Disposal          | 0                  | 0                     | (154,700)                                           | 0                          | 0                      | (154,700)                      |
| Assets Held for Sale            | 0                  | 0                     | (247,377)                                           | 0                          | 0                      | (247,377)                      |
| Kenya Ferry Absorption          | 0                  | 0                     | 196,966                                             | 1,186                      | 20,465                 | 224,031                        |
| Re-classification Adj.          | 0                  | 5,414                 | 2,873                                               | 0                          | (2,873)                | 0                              |
| <b>Balance as at 30.06.2022</b> | <b>0</b>           | <b>2,324,358</b>      | <b>14,316,396</b>                                   | <b>4,686,290</b>           | <b>29,484,767</b>      | <b>50,811,811</b>              |
| N.B.V as at 01.07.2021          | 15,190,900         | 74,127,437            | 30,440,099                                          | 6,676,241                  | 58,508,480             | 184,943,157                    |
| <b>NBV as at 30.06.2022</b>     | <b>15,192,362</b>  | <b>75,032,610</b>     | <b>36,274,800</b>                                   | <b>6,465,481</b>           | <b>64,930,661</b>      | <b>197,895,914</b>             |
| W.I.P as at 01.07.2021          | 0                  | 328,300               | 646,446                                             | 33,473,712                 | 59,120,480             | 93,568,938                     |
| <b>W.I.P as at 30.06.2022</b>   |                    | <b>328,300</b>        | <b>2,857,237</b>                                    | <b>36,397,592</b>          | <b>67,276,090</b>      | <b>106,859,219</b>             |
| <b>Sub totals</b>               | <b>15,192,362</b>  | <b>75,360,910</b>     | <b>39,132,037</b>                                   | <b>42,863,073</b>          | <b>132,206,751</b>     | <b>304,755,133</b>             |
| Impairment                      | 0                  | (313,415)             | (509)                                               | (1,854)                    | (71,427)               | (387,205)                      |
| <b>Grand Total</b>              | <b>15,192,362</b>  | <b>75,047,495</b>     | <b>39,131,528</b>                                   | <b>42,861,219</b>          | <b>132,135,324</b>     | <b>304,367,928</b>             |
| <b>Assets with Nil Balances</b> |                    |                       |                                                     |                            |                        |                                |
| Cost                            | 0                  | 22,790                | 2,881,354                                           | 371,749                    | 1,530,481              | <b>4,806,374</b>               |
| Expected Depreciation           | 0                  | 570                   | 350,173                                             | 18,587                     | 38,262                 | <b>407,592</b>                 |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

### 12. Leased Property

|                                 | Buildings      | Basic<br>Construction | Services<br>and<br>Systems | Bal. as at 30<br>June 2023 |
|---------------------------------|----------------|-----------------------|----------------------------|----------------------------|
| As at 30 June 2023              | KES'000        | KES'000               | KES'000                    | KES'000                    |
| Cost/Valuation                  |                |                       |                            |                            |
| Balance as at 01.07.2022        | 482,598        | 502,261               | 18,474                     | 1,003,333                  |
| Re-Classification               | (299,019)      | 0                     | 0                          | (299,019)                  |
| <b>Balance as at 30.06.2023</b> | <b>183,579</b> | <b>502,261</b>        | <b>18,474</b>              | <b>704,314</b>             |
| <b>Depreciation:</b>            |                |                       |                            |                            |
| Balance as at 01.07.2022        | 32,726         | 49,297                | 4,582                      | 86,605                     |
| Charge for the year             | 9,986          | 17,072                | 957                        | 28,015                     |
| Re-Classification               | (12,459)       | 0                     | 0                          | (12,459)                   |
| <b>Balance as at 30.06.2023</b> | <b>30,253</b>  | <b>66,369</b>         | <b>5,539</b>               | <b>102,160</b>             |
| N.B.V as at 01.07.2022          | 449,872        | 452,964               | 13,892                     | 916,728                    |
| <b>N.B.V as at 30.06.2023</b>   | <b>153,326</b> | <b>435,892</b>        | <b>12,935</b>              | <b>602,154</b>             |

### Leased Property

|                                 | Buildings      | Basic<br>Construction | Services and<br>Systems | Bal. as at 30<br>June 2022 |
|---------------------------------|----------------|-----------------------|-------------------------|----------------------------|
| As at 30 June 2022              | KES'000        | KES'000               | KES'000                 | KES'000                    |
| Cost/Valuation                  |                |                       |                         |                            |
| Balance as at 01.07.2021        | 183,579        | 502,261               | 18,474                  | 704,314                    |
| Kenya Ferry absorption          | 299,019        | 0                     | 0                       | 299,019                    |
| <b>Balance as at 30.06.2022</b> | <b>482,598</b> | <b>502,261</b>        | <b>18,474</b>           | <b>1,003,333</b>           |
| <b>Depreciation:</b>            |                |                       |                         |                            |
| Balance as at 01.07.2021        | 20,248         | 32,225                | 3,626                   | 56,099                     |
| Charge for the year             | 5,002          | 17,072                | 956                     | 23,030                     |
| Kenya Ferry absorption          | 7,476          | 0                     | 0                       | 7,476                      |
| <b>Balance as at 30.06.2022</b> | <b>32,726</b>  | <b>49,297</b>         | <b>4,582</b>            | <b>86,605</b>              |
| N.B.V as at 01.07.2021          | 163,331        | 470,036               | 14,848                  | 648,215                    |
| <b>N.B.V as at 30.06.2022</b>   | <b>449,872</b> | <b>452,964</b>        | <b>13,892</b>           | <b>916,728</b>             |

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2023**

|                                                   | <b>2022/2023</b> | <b>2021/2022</b> |
|---------------------------------------------------|------------------|------------------|
|                                                   | <b>KES'000</b>   | <b>KES'000</b>   |
| <b>13. Intangible Assets:</b>                     |                  |                  |
| <b>Cost:</b>                                      |                  |                  |
| Balance as at 1 July                              | 2,389,400        | 2,310,347        |
| Additions                                         | 710,390          | 64,260           |
| Adjustments                                       | 0                | (8,064)          |
| Kenya Ferry absorption                            | 0                | 22,857           |
| <b>Balance as at 30 June</b>                      | <b>3,099,790</b> | <b>2,389,400</b> |
| <b>Amortization:</b>                              |                  |                  |
| Balance as at 1 July                              | 1,577,612        | 1,322,660        |
| Charge for the year                               | 173,883          | 254,413          |
| Adjustments                                       | 0                | (4,032)          |
| Kenya Ferry absorption                            | 0                | 4,571            |
| <b>Balance as at 30 June</b>                      | <b>1,751,495</b> | <b>1,577,612</b> |
| <b>Net Book Values as at 30<sup>th</sup> June</b> | <b>1,348,295</b> | <b>811,788</b>   |
| <br>                                              |                  |                  |
| <b>Assets with Nil Balance</b>                    |                  |                  |
| Cost                                              | 1,120,900        | 1,109,865        |
| Expected Depreciation                             | 373,596          | 369,918          |
| <br>                                              |                  |                  |
| <b>14. Finance Income:</b>                        | <b>2022/2023</b> | <b>2021/2022</b> |
|                                                   | <b>KES'000</b>   | <b>KES'000</b>   |
| Bank Interest Earnings                            | 265,568          | 166,878          |
| <b>TOTAL</b>                                      | <b>265,568</b>   | <b>166,878</b>   |
| <br>                                              |                  |                  |
| <b>15. Finance Costs:</b>                         | <b>2022/2023</b> | <b>2021/2022</b> |
|                                                   | <b>KES'000</b>   | <b>KES'000</b>   |
| Interest Charges - Long Term Loans                | 445,587          | 18,512           |
| Discounts                                         | 20,532           | 78,030           |
| Fringe Benefit Tax                                | 1,582            | 2,045            |
| Write-off of Inventory                            | 33,018           | 0                |
| Write-off of PPE                                  | 25,482           | 0                |
| Compensation Cargo Claims                         | 0                | 31,425           |
| <b>TOTAL</b>                                      | <b>526,201</b>   | <b>130,012</b>   |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

| <b>16. Impairment Gains/(Losses):</b>               |  | <b>2022/2023</b> | <b>2021/2022</b> |
|-----------------------------------------------------|--|------------------|------------------|
|                                                     |  | <b>KES'000</b>   | <b>KES'000</b>   |
| Prov. Impairment Loss Debtors                       |  | (112,493)        | (50,702)         |
| Prov for Obsolete Stock-Gain/Reversal               |  | 32,996           | 0                |
| Prov. Impairment Gain/Reversal on PPE               |  | 36,405           | 5,273            |
| Prov. for impairment Gain/Rev. of Trade Investments |  | 0                | 100,500          |
| <b>TOTAL</b>                                        |  | <b>(43,092)</b>  | <b>55,071</b>    |

| <b>17. Other Gains/(Losses)</b>          |             | <b>2022/2023</b> | <b>2021/2022</b> |
|------------------------------------------|-------------|------------------|------------------|
|                                          | <b>Note</b> | <b>KES'000</b>   | <b>KES'000</b>   |
| Loss on Disposal of Non-Financial Assets | 17(a)       | (171,716)        | (169,535)        |
| Realized Foreign exchange Gain           |             | 1,939,640        | 665,632          |
| Price Difference Gain                    |             | 1,488            | 1,819            |
| Inventory difference Loss                |             | 0                | (10)             |
| <b>TOTAL</b>                             |             | <b>1,769,412</b> | <b>497,906</b>   |

| <b>17a. Gain/(Loss) on Disposal of Non-Financial Assets:</b> |  | <b>2022/2023</b> | <b>2021/2022</b> |
|--------------------------------------------------------------|--|------------------|------------------|
|                                                              |  | <b>KES'000</b>   | <b>KES'000</b>   |
| Loss on sale of fixed assets                                 |  | (173,722)        | (173,397)        |
| Profit on sale of surveyed stock                             |  | 2,006            | 3,862            |
| <b>TOTAL</b>                                                 |  | <b>(171,716)</b> | <b>(169,535)</b> |

| <b>18. Income Tax Expense</b>                                                           |  | <b>2022/2023</b>  | <b>2021/2022</b>  | <b>2021/2022</b>  |
|-----------------------------------------------------------------------------------------|--|-------------------|-------------------|-------------------|
|                                                                                         |  | <b>KES'000</b>    | <b>KES'000</b>    | <b>KES'000</b>    |
| <b>(a) Current Taxation</b>                                                             |  |                   |                   |                   |
| <b>Tax charge for the year</b>                                                          |  | <b>4,649,450</b>  | <b>3,462,772</b>  | <b>3,592,225</b>  |
| <b>(b) Reconciliation of tax expense to the expected tax based on accounting profit</b> |  |                   |                   |                   |
| <b>Profit before taxation</b>                                                           |  | <b>16,642,226</b> | <b>11,148,252</b> | <b>11,282,268</b> |
| Tax at the applicable tax rate                                                          |  | 4,992,668         | 3,389,474         | 3,384,680         |
| Tax effects of expenses not deductible for tax purposes                                 |  | 674,123           | 732,675           | 732,675           |
| Tax effects of income not taxable                                                       |  | (202,005)         | (390,611)         | (390,611)         |
| Tax effects of excess capital allowances over depr. /amort.                             |  | (815,336)         | (268,766)         | (134,519)         |
| <b>Current taxation based on adjusted profit</b>                                        |  | <b>4,649,450</b>  | <b>3,462,772</b>  | <b>3,592,225</b>  |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

### 19. Non-Current Assets Held for Sale

| <b>Asset Description</b>              | <b>2022/2023<br/>KES'000</b> | <b>2021/2022<br/>KES'000</b> |
|---------------------------------------|------------------------------|------------------------------|
| Terminal Tractors & Skeletal Trailers | 67,992                       | 36,657                       |
| Berthing Tug MT-EI Lamy               | 201,336                      | 201,336                      |
| Security Trolley STR                  | 3,197                        | 0                            |
| Motor Vehicle                         | 5,933                        | 0                            |
| Stinis overweight spreader            | 2,702                        | 0                            |
| Forklift                              | 35,912                       | 0                            |
| Berth Sweeper Katcher                 | 6,550                        | 0                            |
| Drilling Machine                      | 8                            | 0                            |
| Grinding Machine                      | 697                          | 0                            |
| <b>Total</b>                          | <b>324,319</b>               | <b>237,993</b>               |

### 20. Long Term Investment

|                                   | <b>Note</b> | <b>2022/2023<br/>KES'000</b> | <b>2021/2022<br/>KES'000</b> |
|-----------------------------------|-------------|------------------------------|------------------------------|
| <b>Fixed Deposits:</b>            | (a)         |                              |                              |
| Housing Scheme Backup Funds- HFCK |             | 274,141                      | 287,925                      |
| Fixed Deposits- HFCK              |             | 312,471                      | 292,345                      |
| Savings and Loans Ltd             |             | 419,439                      | 417,513                      |
| Eco-Bank Kenya Ltd                |             | 21,763                       | 21,400                       |
| <b>Subtotal</b>                   |             | <b>1,027,814</b>             | <b>1,019,183</b>             |
| <b>Equities:</b>                  | (b)         |                              |                              |
| Kenya National Shipping Line      |             | 54,346                       | 54,346                       |
| Impairment of Trade Investment    |             | (54,346)                     | (54,346)                     |
| Consolidated Bank of Kenya        |             | 29,100                       | 29,100                       |
| <b>Subtotal</b>                   |             | <b>29,100</b>                | <b>29,100</b>                |
| <b>Other Investment:</b>          | (c)         |                              |                              |
| KDIC -Chase bank Deposits         |             | 747,608                      | 747,608                      |
| Impairment                        |             | (747,608)                    | (747,608)                    |
| <b>Subtotal</b>                   |             | <b>0</b>                     | <b>0</b>                     |
| <b>TOTAL</b>                      |             | <b>1,056,914</b>             | <b>1,048,283</b>             |

Chase Bank Ltd. was placed under receivership in April 2016 by Central Bank of Kenya. The Authority's Board made a 25% impairment provision on the deposits during the 336th regular meeting held in December 2017.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

### a. Fixed Deposits

Details and movement of the fixed deposits are shown below;

|                      | Balance<br>1 July<br>2022<br>KES'000 | Charges<br>KES'000 | Interest<br>KES'000 | Inter<br>Account<br>Transfer<br>KES'000 | Balance 30<br>June 2023<br>KES'000 | Balance 30<br>June 2022<br>KES'000 |
|----------------------|--------------------------------------|--------------------|---------------------|-----------------------------------------|------------------------------------|------------------------------------|
| Housing Scheme       |                                      |                    |                     |                                         |                                    |                                    |
| Backup- HFCK         | 287,925                              | 0                  | 0                   | (13,784)                                | 274,141                            | 287,925                            |
| Fixed Deposits- HFCK | 292,345                              | 0                  | 6,342               | 13,784                                  | 312,471                            | 292,345                            |
| Savings and Loan     | 417,513                              | 0                  | 1,926               | 0                                       | 419,439                            | 417,513                            |
| Eco-Bank Kenya Ltd   | 21,400                               | 0                  | 363                 | 0                                       | 21,763                             | 21,400                             |
| <b>TOTAL</b>         | <b>1,019,183</b>                     | <b>0</b>           | <b>8,631</b>        | <b>0</b>                                | <b>1,027,814</b>                   | <b>1,019,183</b>                   |

- i. Funds invested with Housing Finance amounted to KES 586 million out of which KES 274 million is held as lien on loans advanced to staff under the HOMS and earns interest at 2% pa. The balance of KES 312 million is held in a fixed deposit account and earns interest of 7% pa.
- ii. Funds invested with Kenya Commercial Bank amounting to KES 419 million is held as security on loans advanced to staff under HOMS. They earn interest at 2% p.a.
- iii. Funds invested with ECO-Bank amounting to KES 21.7 million are held as security on loans advanced to staff under HOMS. They earn interest at 2% p.a.

### b. Equities:

Details of the equities are shown below.

\*The effective shareholding is 0% because the investments were fully impaired.

### c. Other Investment:

Chase Bank Ltd (iL) was placed under receivership in April 2016 by Central Bank of Kenya. The Authority's Board approved a 25% impairment provision on the deposits during the 336<sup>th</sup> regular meeting held in December 2017.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

| <b>21. Inventories</b>        | <b>2022/2023</b> | <b>2021/2022</b> |
|-------------------------------|------------------|------------------|
|                               | <b>KES'000</b>   | <b>KES'000</b>   |
| Engineering stores            | 612,965          | 573,186          |
| Fuel, oil, and lubricants     | 71               | 207              |
| Motor vehicle spare parts     | 14,559           | 5,578            |
| Stationery and general stores | 14,656           | 12,830           |
| Medicines                     | 46,859           | 28,380           |
| <b>Sub-Total</b>              | <b>689,110</b>   | <b>620,181</b>   |
| Provision for Write-off       | 0                | (35,446)         |
| <b>Total</b>                  | <b>689,110</b>   | <b>584,735</b>   |

The Authority has continued to implement the Just in Time management system and the total stockholding increase by the end of the financial year was attributed to increase in equipment holding resulting in higher stock holding of spares for equipment maintenance. The medicines value increased due to the impact of the depreciation of the Kenya shilling on procurement of medicines whose prices are quoted USD in the new framework contracts awarded recently.

| <b>22. Receivables &amp; Prepayments</b> |             | <b>2022/2023</b> | <b>RESTATED</b>  | <b>2021/2022</b> |
|------------------------------------------|-------------|------------------|------------------|------------------|
| <b>Trade Receivables</b>                 | <b>Note</b> | <b>KES'000</b>   | <b>KES'000</b>   | <b>KES'000</b>   |
| Trade Cargo                              |             | 4,377,024        | 4,529,133        | 4,529,133        |
| Trade Marine                             |             | 510,306          | 622,181          | 622,181          |
| Rental                                   |             | 334,579          | 308,763          | 308,763          |
| <b>Subtotals (i)</b>                     | (a)         | <b>5,221,909</b> | <b>5,460,077</b> | <b>5,460,077</b> |
| Railways Debtors                         |             | 426,126          | 405,906          | 405,906          |
| Misc. A/C Receivables                    |             | 16,180           | 16,557           | 16,557           |
| <b>Subtotals (ii)</b>                    |             | <b>442,306</b>   | <b>422,463</b>   | <b>422,463</b>   |
| Less; Provision for Impairment (iii)     |             | (2,504,698)      | (2,392,205)      | (2,392,205)      |
| <b>Subtotals (i+ii-iii)</b>              |             | <b>3,159,517</b> | <b>3,490,335</b> | <b>3,490,335</b> |
| KNSL                                     |             | 1,507            | 1,507            | 1,507            |
| Mot (Treasury / Dredgco)                 |             | 287,231          | 287,231          | 287,231          |
| Impairment of Other Debtors              |             | (288,738)        | (288,738)        | (288,738)        |
| <b>Subtotals</b>                         |             | <b>0</b>         | <b>0</b>         | <b>0</b>         |
| <b>Other Receivables:</b>                |             |                  |                  |                  |
| Staff Advances                           |             | 45,302           | 48,609           | 48,609           |
| Advance Imprest & Subsistence            |             | 61,936           | 124,942          | 124,942          |
| Prepayments & Accrued Income             | (b)         | 967,085          | 515,003          | 521,082          |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

| Receivables & Prepayments (Cont'd) | Note | 2022/2023         | RESTATED<br>2021/2022 | 2021/2022         |
|------------------------------------|------|-------------------|-----------------------|-------------------|
|                                    |      | KES'000           | KES'000               | KES'000           |
| Advance Creditors                  | (c)  | 6,296,391         | 4,807,005             | 4,807,005         |
| Deposit Others                     |      | 113,409           | 98,392                | 98,392            |
| Valuation Adjustment               |      | 1,852,565         | 5,162,815             | 5,162,815         |
| Tax Recoverable                    | (d)  | 7,463,633         | 8,338,035             | 8,338,035         |
| VAT in                             |      | 58,679            | 106,095               | 106,095           |
| Others                             |      | 2,576,983         | 1,317,475             | 1,317,475         |
| <b>Subtotals</b>                   |      | <b>19,435,983</b> | <b>20,518,371</b>     | <b>20,524,450</b> |
| <b>TOTAL</b>                       |      | <b>22,595,500</b> | <b>24,008,706</b>     | <b>24,014,785</b> |

- a. As at June 30, 2023 the ageing analysis of the Trade and Rental receivables was as follows;

| Ageing Analysis<br>Period | 2022/2023        | RESTATED<br>2021/2022 | 2021/2022        |
|---------------------------|------------------|-----------------------|------------------|
|                           | KES'000          | KES'000               | KES'000          |
| From 0 To 90              | 2,092,600        | 2,241,330             | 2,241,330        |
| From 91 To 120            | 129,870          | 200,438               | 200,438          |
| From 121 To 150           | 202,066          | 188,429               | 188,429          |
| From 151 To 180           | 126,822          | 198,992               | 198,992          |
| From 181 To 365           | 340,031          | 458,670               | 458,670          |
| 1 To 2 Years              | 453,516          | 539,104               | 539,104          |
| Over 2 years              | 1,877,004        | 1,633,114             | 1,633,114        |
| <b>Total</b>              | <b>5,221,909</b> | <b>5,460,077</b>      | <b>5,460,077</b> |

In compliance with the Authority's impairment policy and IFRSs, all overdue debts have been impaired. The Authority assumes that the credit risk on a financial asset increases significantly if it is more than 90 days past due. Debts over 2 years old have been impaired 100%.

| b. Prepayments & Accrued Income | 2022/2023      | RESTATED<br>2021/2022 | 2021/2022      |
|---------------------------------|----------------|-----------------------|----------------|
|                                 | KES'000        | KES'000               | KES'000        |
| Accrued income                  | 16,433         | 3,120                 | 3,120          |
| Rents & rates – prepaid         | 64,409         | 27,770                | 33,849         |
| Insurance – prepaid             | 641,528        | 351,698               | 351,698        |
| Prepayments Others              | 244,715        | 132,415               | 132,415        |
| <b>Total</b>                    | <b>967,085</b> | <b>515,003</b>        | <b>521,082</b> |

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

|                             | 2022/2023        | 2021/2022        |
|-----------------------------|------------------|------------------|
|                             | KES'000          | KES'000          |
| <b>c. Advance Creditors</b> |                  |                  |
| Advance Lamu Creditors      | 336,267          | 735,935          |
| Advance Other Creditors     | 5,311,095        | 3,454,331        |
| Dongo Kundu Creditors       | 649,029          | 0                |
| 2nd Terminal Suppliers      | 0                | 166,988          |
| KOT Suppliers               | 0                | 449,751          |
| <b>Total</b>                | <b>6,296,391</b> | <b>4,807,005</b> |

|                                         | 2022/2023        | 2021/2022        |
|-----------------------------------------|------------------|------------------|
|                                         | KES'000          | KES'000          |
| <b>d. Tax Recoverable</b>               |                  |                  |
| Balance as at 01 July                   | 8,338,035        | 7,406,853        |
| Total Output VAT                        | (3,023,601)      | (3,281,694)      |
| Total Input VAT and Withheld output VAT | 2,149,199        | 4,212,876        |
| <b>Total</b>                            | <b>7,463,633</b> | <b>8,338,035</b> |

|                                          | 2022/2023        | RESTATED<br>2021/2022 | 2021/2022        |
|------------------------------------------|------------------|-----------------------|------------------|
|                                          | KES'000          | KES'000               | KES'000          |
| <b>23.(Tax Payable)/ Paid in Advance</b> |                  |                       |                  |
| Balance as at 1st July                   | 2,287,941        | 265,685               | 265,685          |
| Income tax charge for the year           | (4,649,450)      | (3,592,225)           | (3,592,225)      |
| Income tax paid during the year          | 3,849,715        | 3,316,821             | 3,316,821        |
| Final Tax paid                           | 241,040          | 2,133,843             | 2,133,843        |
| Tax on assessment                        | 6,643            | 34,364                | 34,364           |
| Additional Tax Assessed/Computed         | (39,858)         | 129,453               | 0                |
| <b>Total</b>                             | <b>1,696,031</b> | <b>2,287,941</b>      | <b>2,158,488</b> |

|                                     |      | 2022/2023        | 2021/2022        |
|-------------------------------------|------|------------------|------------------|
|                                     | Note | KES'000          | KES'000          |
| <b>24.Cash and Cash Equivalents</b> |      |                  |                  |
| Short Term Deposits                 | (a)  | 6,700,789        | 840,860          |
| Bank and Cash Balances              | (b)  | 1,668,566        | 3,422,167        |
| <b>Total</b>                        |      | <b>8,369,355</b> | <b>4,263,027</b> |

|                                | 2022/2023        | 2021/2022      |
|--------------------------------|------------------|----------------|
|                                | KES'000          | KES'000        |
| <b>a. Short Term Deposits:</b> |                  |                |
| Investment Deposits            | 6,700,789        | 840,860        |
| <b>Total</b>                   | <b>6,700,789</b> | <b>840,860</b> |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

| <b>b. Bank and Cash Balances</b> | <b>2022/2023</b> | <b>2021/2022</b> |
|----------------------------------|------------------|------------------|
| <b>Name of Bank</b>              | <b>KES'000</b>   | <b>KES'000</b>   |
| National Bank of Kenya           | 489,030          | 691,366          |
| Kenya Commercial Bank            | 5                | 7                |
| Citibank N. A                    | 734,538          | 1,396,587        |
| Equity                           | 113,220          | 479,375          |
| Stanbic Bank                     | 330,692          | 839,299          |
| Petty Cash                       | 1,008            | 1,454            |
| Cash-In -Transit                 | 73               | 0                |
| C2B Safaricom Mpesa              | 0                | 14,079           |
| <b>Total</b>                     | <b>1,668,566</b> | <b>3,422,167</b> |

Details of cash and cash equivalents are as follows;

| <b>Financial Institution</b>      | <b>Bank Account</b> |                 | <b>2022/2023</b> | <b>2021/2022</b> |
|-----------------------------------|---------------------|-----------------|------------------|------------------|
| <b>i) Current account</b>         | <b>Nos.</b>         | <b>Currency</b> | <b>KES'000</b>   | <b>KES'000</b>   |
|                                   | 1003057307400       | KES             | 370,941          | 158,253          |
| National Bank of Kenya            | 2003057307400       | USD             | 61,258           | 483,012          |
|                                   | 1003000909000       | KES             | 1,398            | 1,399            |
|                                   | 1003057007203       | KES             | 55,433           | 48,702           |
|                                   | 1107638127          | KES             | 1                | 1                |
| Kenya Commercial Bank             | 1146962908          | USD             | 0                | 0                |
|                                   | 6690361829          | BIF             | 0                | 0                |
|                                   | 6690361837          | USD             | 4                | 6                |
|                                   | 300046401           | KES             | 337,482          | 294,101          |
| Citibank N, A                     | 300046428           | USD             | 397,056          | 1,102,486        |
|                                   | 1560267794795       | KES             | 75,888           | 285,804          |
| Equity                            | 1560261552619       | USD             | 37,107           | 193,433          |
|                                   | 4002200349395       | RWF             | 225              | 138              |
|                                   | 9030008175933       | USD             | 6,064            | 5,732            |
| Stanbic bank                      | 9030005614383       | UGX             | 281              | 213              |
|                                   | 100009442566        | KES             | 173,167          | 615,211          |
|                                   | 100009442582        | USD             | 151,180          | 218,143          |
| <b>Sub-total</b>                  |                     |                 | <b>1,667,485</b> | <b>3,406,634</b> |
| <b>ii) Others;</b>                |                     |                 |                  |                  |
| Cash in Transit                   |                     | KES             | 73               | 0                |
| Petty Cash                        |                     | KES             | 1,008            | 1,454            |
| Safaricom Mpesa                   | 929929              | KES             | 0                | 14,079           |
| <b>Sub-Total</b>                  |                     |                 | <b>1,081</b>     | <b>15,533</b>    |
| <b>iii) Fixed Deposit Account</b> |                     |                 |                  |                  |
| Investment Deposits               |                     | KES             | 6,700,789        | 840,860          |
| <b>Sub-Total</b>                  |                     |                 | <b>6,700,789</b> | <b>840,860</b>   |
| <b>Grand-Total</b>                |                     | KES             | <b>8,369,355</b> | <b>4,263,027</b> |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

| <b>25.Movement in Revaluation Reserves</b> | <b>2022/2023</b>   | <b>2021/2022</b>   |                    |
|--------------------------------------------|--------------------|--------------------|--------------------|
|                                            | <b>KES'000</b>     | <b>KES'000</b>     |                    |
| Opening Balance                            | 85,791,507         | 93,784,610         |                    |
| <b>Transfers to General Reserves:</b>      |                    |                    |                    |
| Effects on Revaluation                     | (7,702,529)        | (8,423,528)        |                    |
| KFS merger effects on Revaluation          | (22,654)           | 430,425            |                    |
| <b>Closing Balance</b>                     | <b>78,066,325</b>  | <b>85,791,507</b>  |                    |
|                                            |                    |                    | <b>RESTATED</b>    |
| <b>26.Movement in General Reserves</b>     | <b>2022/2023</b>   | <b>2021/2022</b>   | <b>2021/2022</b>   |
|                                            | <b>KES'000</b>     | <b>KES'000</b>     | <b>KES'000</b>     |
| Balance B/d                                | 126,836,160        | 97,076,196         | 97,076,196         |
| Bonus provision                            | 1,151,415          | 0                  | 0                  |
| <b>Opening Balance</b>                     | <b>127,987,575</b> | <b>97,076,196</b>  | <b>97,076,196</b>  |
| <b>Adjustments for:</b>                    |                    |                    |                    |
| Profit After Tax                           | 11,992,776         | 7,685,480          | 7,690,043          |
| Revaluation Effects                        | 7,725,183          | 8,423,528          | 8,423,528          |
| Grants                                     | 5,182              | 312,484            | 312,484            |
| Other Adjustments                          | 58,582             | 1,780              | 1,780              |
| Transfer of director fees                  | 53,400             | 0                  | 0                  |
| Increase in Pension Deficit                | (3,410,800)        | 0                  | 0                  |
| Unrealized Foreign Exchange Gain/(Loss)    | (5,056,072)        | 4,574,070          | 4,574,070          |
| Transfer of Bonus to Reserve               | 0                  | 1,151,415          | 1,151,415          |
| Effect of deferred Tax                     | (601,245)          | 2,692,470          | 2,692,464          |
| Dividends (Special & Normal)               | (3,341,921)        | 0                  | 0                  |
| Other Valuation adjustments                | (501,303)          | 0                  | 0                  |
| Effect of Merger-Defunct KFS               | (2,906)            | 730,054            | 742,516            |
| Loan Revaluation Effects                   | (6,986,051)        | 5,340,098          | 5,340,098          |
| <b>Closing Balance</b>                     | <b>128,408,508</b> | <b>127,987,575</b> | <b>128,004,594</b> |

### 27.Grants

Grants represent funds provided by donors, either directly or via a sponsor for the purposes of financing specific capital projects of the Authority.

|                        | <b>1/7/2022</b>  | <b>Received</b> | <b>Capitalized/<br/>Adjusted</b> | <b>Cumulative</b>   |
|------------------------|------------------|-----------------|----------------------------------|---------------------|
|                        | <b>KES'000</b>   | <b>2022/23</b>  | <b>2022/2023</b>                 | <b>to 30/6/2023</b> |
|                        |                  | <b>KES'000</b>  | <b>KES'000</b>                   | <b>KES'000</b>      |
| Free trade Area        | 1,000,000        | 50,000          | 0                                | <b>1,050,000</b>    |
| Ferry services         | 4,145,139        | 0               | 0                                | <b>4,145,139</b>    |
| Trade Mark East Africa | 251,704          | 0               | 0                                | <b>251,704</b>      |
| SGR                    | 3,499,103        | 0               | (544,690)                        | <b>2,954,413</b>    |
| Dongo Kundu SEZ- JICA  | 0                | 207,657         | 0                                | <b>207,657</b>      |
| <b>Total</b>           | <b>8,895,946</b> | <b>257,657</b>  | <b>(544,690)</b>                 | <b>8,608,913</b>    |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

### Grants (Cont'd)

|                        | 1/7/2021         | Received<br>2021/22 | Capitalized/<br>Adjusted<br>2021/22 | Cumulative<br>to 30/6/2022 |
|------------------------|------------------|---------------------|-------------------------------------|----------------------------|
|                        | KES'000          | KES'000             | KES'000                             | KES'000                    |
| Free trade Area        | 1,000,000        | 1,000,000           | 0                                   | 1,000,000                  |
| Ferry services         | 0                | 0                   | 4,145,139                           | 4,145,139                  |
| Trade Mark East Africa | 251,704          | 0                   | 0                                   | 251,704                    |
| SGR                    | 1,763,326        | 0                   | 1,735,778                           | 3,499,104                  |
| <b>Total</b>           | <b>2,015,030</b> | <b>1,000,000</b>    | <b>5,880,917</b>                    | <b>8,895,947</b>           |

During FY2022-23, the Authority received KES 50 million from State Department of Transport for Free Trade Area and KES 207.7 million from JICA as a grant for Dongo Kundu Project.

### 28. Government Project Funds

GoK project funds are disbursed to the Authority for specific GoK projects not in direct control of the Authority. During the year, the movement was as below:

|                            | 1/7/2022          | Received<br>2022/23 | Cumulative<br>to 30/6/2023 |
|----------------------------|-------------------|---------------------|----------------------------|
|                            | KES'000           | KES'000             | KES'000                    |
| Infrastructure Kisumu Port | 50,000            | 300,000             | 350,000                    |
| Lamu Port Development      | 47,800,157        | 0                   | 47,800,157                 |
| <b>Total</b>               | <b>47,850,157</b> | <b>300,000</b>      | <b>48,150,157</b>          |

|                            | 1/7/2021          | Received<br>2021/22 | Cumulative<br>to 30/6/2022 |
|----------------------------|-------------------|---------------------|----------------------------|
|                            | KES'000           | KES'000             | KES'000                    |
| Infrastructure Kisumu Port | 50,000            | 0                   | 50,000                     |
| Lamu Port Development      | 43,336,157        | 4,464,000           | 47,800,157                 |
| <b>Total</b>               | <b>43,386,157</b> | <b>4,464,000</b>    | <b>47,850,157</b>          |

During the year the Authority received KES 300 Million from the State Department of Transport for the Kisumu Port development project.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

### Lamu Port Project Statement of Financial Position As at 30 June 2023

|                                                                             | <b>KES'000</b>    |
|-----------------------------------------------------------------------------|-------------------|
| <b>a. Non-current Assets</b>                                                |                   |
| Boundary wall – National youth service                                      | 20,000            |
| Police station & staff quarters (Vaghjiyani Enterprises)                    | 619,816           |
| <b>Works in progress;</b>                                                   |                   |
| <b>1. Civil works</b>                                                       |                   |
| 1 <sup>st</sup> Three Berths – China Communications (Forex, Taxes Included) | 54,259,319        |
| <b>2. Consultancy</b>                                                       |                   |
| 1 <sup>st</sup> Three berths – Yooshin Engineering (Forex, Taxes Included)  | 1,518,386         |
| <b>3. PAPs</b>                                                              |                   |
| Kenya Forestry Services                                                     | 64,939            |
| Lamu Municipal council – Approval fee                                       | 35,000            |
| National Land Commission                                                    | 1,925,348         |
| Compensation for local fishermen                                            | 18,859            |
| <b>b. Currents Assets</b>                                                   |                   |
| Unrecovered advance up to certificate no 32 (China Communications)          | 0                 |
| <b>TOTAL</b>                                                                | <b>58,461,667</b> |
| <b>c. Current liabilities</b>                                               |                   |
| China Communications (Retention up to certificate 32);                      |                   |
| i. KES & USD portion                                                        | 316,303           |
| ii. USD                                                                     | 148,961           |
| <b>Financed by</b>                                                          |                   |
| Government funds                                                            | 47,184,252        |
| Interest on GOK                                                             | 195,647           |
| Funds for Dongo Kundu utilized on PAPs                                      | 431,374           |
| KPA funds                                                                   | 10,185,130        |
| <b>TOTAL</b>                                                                | <b>58,461,667</b> |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

### 29. Borrowings:

#### As at 30 June 2023

| Loans        | Opening Balances  | Disbursements    | Interest Capitalized | Repayments       |               |                 | Valuation effects | Total             | Closing Balances |                   |
|--------------|-------------------|------------------|----------------------|------------------|---------------|-----------------|-------------------|-------------------|------------------|-------------------|
|              | 01 July           |                  |                      | Principal        | Forex         | Interest Paid   |                   |                   | Current          | Non-Current       |
|              | KES'000           | KES'000          | KES'000              | KES'000          | KES'000       | KES'000         | KES'000           | KES'000           | KES'000          | KES'000           |
| Stanbic1     | 4,842,980         | 516,942          | 0                    | 0                | 0             | 0               | 982,819           | 6,342,741         | 0                | 6,342,741         |
| Stanbic2     | 0                 | 995,070          | 0                    | 0                | 0             | 0               | 128,473           | 1,123,543         | 0                | 1,123,543         |
| JICA-1       | 19,773,565        | 0                | 41,134               | (918,487)        | 41,943        | (38,592)        | 2,506,317         | 21,444,472        | 1,021,691        | 20,422,781        |
| JICA-2       | 24,660,767        | 3,257,881        | 0                    | 0                | 0             | 0               | 3,368,442         | 31,287,291        | 0                | 31,287,091        |
| JICA SEZ     | 0                 | 513,947          | 0                    | 0                | 0             | 0               | 0                 | 513,947           | 0                | 513,947           |
| <b>Total</b> | <b>49,277,312</b> | <b>5,283,841</b> | <b>41,134</b>        | <b>(918,487)</b> | <b>41,943</b> | <b>(38,592)</b> | <b>6,986,051</b>  | <b>60,711,794</b> | <b>1,021,691</b> | <b>59,690,103</b> |

#### As at 30 June 2022

| Loans        | Opening Balances  | Disbursements     | Repayments       |                 |               | Valuation effects  | Total             | Closing Balances |                   |
|--------------|-------------------|-------------------|------------------|-----------------|---------------|--------------------|-------------------|------------------|-------------------|
|              | 01 July           |                   | Principal        | Forex           | Interest      |                    |                   | Current          | Non-Current       |
|              | KES'000           | KES'000           | KES'000          | KES'000         | KES'000       | KES'000            | KES'000           | KES'000          | KES'000           |
| Stanbic      | 0                 | 4,768,204         | 0                | 0               | 0             | 74,776             | 4,842,980         | 0                | 4,842,980         |
| JICA-1       | 22,660,905        | 0                 | (396,043)        | (23,604)        | 18,512        | (2,467,693)        | 19,773,565        | 1,492,345        | 18,281,220        |
| JICA-2       | 18,517,718        | 9,090,230         | 0                | 0               | 0             | (2,947,181)        | 24,660,767        | 0                | 24,660,767        |
| <b>Total</b> | <b>41,178,623</b> | <b>13,858,434</b> | <b>(396,043)</b> | <b>(23,604)</b> | <b>18,512</b> | <b>(5,340,098)</b> | <b>49,277,312</b> | <b>1,492,345</b> | <b>47,784,967</b> |

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

### **Borrowings (cont'd)**

#### **JICA Loan 1 (KE-P25, KE-P25A)**

Japan International Cooperation Agency funded the implementation of the Mombasa Port Development Project phase I. The principal value of the loan is JPY 26,711 million, interest rate is 0.2% paid per annum paid semi-annually.

The loan disbursements were completed. Total amounts disbursed was JPY 26,329 million translated to KES 24,359 million as at 30<sup>th</sup> June 2017. The Loan repayment will be for thirty (30) years, paid semi-annually on 20<sup>th</sup> May and 20<sup>th</sup> November. The loan repayment commenced on 20<sup>th</sup> November 2017 and the last instalment will be repaid on 20<sup>th</sup> November 2047. The loan was for the purchase of goods and services from suppliers and contractors of civil works and building, equipment, and consultancy and related items as the case may be, to facilitate the implementation of the Mombasa Port Development Project Phase I (berth 20 and 21).

On 15 April 2020, the G20 together with the Paris club announced Debt Service Suspension Initiative (DSSI) to assist developing countries tackle Covid 19. Following GoK application to the Paris club and in line with DSSI, JICA temporary suspended the obligation from 1<sup>st</sup> January 2021 to 31<sup>st</sup> December 2021 and did not issue any invoices for the May 2021 and November 2021 instalments. A total of JPY 863 million translating to KES 849 million was deferred.

Upon conclusion of the exchange of notes between JICA and GoK, it was agreed that the deferred portion be paid in equal semi-annual instalments every 15<sup>th</sup> June and 15<sup>th</sup> December at an interest rate of 0.8% p.a. Repayment resumed in December 2022.

By 30<sup>th</sup> June 2023, the outstanding balance of the loan was JPY 21,913.4 million translating to KES 21,444.4 million. This is inclusive of the deferred portion which stands at JPY 769 million translating to KES 753 million.

#### **JICA Loan 2 (KE-P30)**

Japan International Cooperation Agency funded the implementation of the Mombasa Port Development Project phase II. The Loan agreement became effective on 24 August 2016. The purpose of the loan is to purchase goods and services from suppliers and contractors of civil works and building, equipment. Security systems and consultancy to facilitate the implementation of the MPDP Phase II.

The principal value of the loan is JPY 32,116 million. As of 30 June 2023, the total disbursed amount, and the outstanding balance for JICA loan was JPY 31,971 million translated to KES 31,287 million. The final disbursement shall be made not later than 24 August 2023. The Loan repayment will be for thirty (30) years, paid semi-annually on 20 March and 20<sup>th</sup> September commencing on 20 March 2025 to 20 March 2055 at an interest rate is 0.1% per annum.

#### **Stanbic Loan 1**

Stanbic Bank Ltd is for the the operationisation of the first three Berts of Lamu Port specifically procurement of vessels and equipment. The Loan agreement became effective on 5<sup>th</sup> April 2022 for the sum of USD 63 million.

The loan tenure is 8 years with a grace period of 24months after the agreement date. Repayment commences six months after the expiry of the grace period date and will be in equal semiannual installments. Interest rate will be determined by the prevailing market rate (SOFR) at the time of repayment plus a margin of 3.55% per annum. The last repayment will be on 5<sup>th</sup> April 2030.

As at 30<sup>th</sup> June 2023, a total of USD 45 million equivalent to KES 6,343 million had been disbursed.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

### Borrowings (cont'd)

#### Stanbic Loan 2

The Loan agreement became effective on 26<sup>th</sup> July 2022 for the sum of USD 39,997,979.

The purpose of the loan is to finance the purchase of four(4) rubber tyred gantry and three(3) ship to shore gantry cranes for Lamu Port.

As at 30<sup>th</sup> June 2023, a total of USD 8 million KES 1,124 million had been disbursed.

#### JICA Loan KE P35 Mombasa Special Economic Zone

The Japan Government has granted the Kenya Government a Loan of up to JPY 37.09 billion signed on 27<sup>th</sup> February 2020 for the construction of the Mombasa Special Economic Zone at Dongo Kundu. As at 30<sup>th</sup> June 2023, a total of JPY 525 million translated to KES 514 million had been disbursed

### 30. Deferred Tax:

The net deferred tax liability movement at year end is as shown below;

|                       | 2022/2023        | RESTATED<br>2021/2022 | 2021/2022        |
|-----------------------|------------------|-----------------------|------------------|
|                       | KES'000          | KES'000               | KES'000          |
| Balance as at 1 July  | 4,618,196        | 7,310,667             | 7,310,667        |
| Movement for the year | 601,245          | (2,692,471)           | (2,692,465)      |
| <b>Total</b>          | <b>5,219,441</b> | <b>4,618,196</b>      | <b>4,618,202</b> |

| 31. Trade & Other Payables         |      | 2022/2023         | RESTATED<br>2021/2022 | 2021/2022         |
|------------------------------------|------|-------------------|-----------------------|-------------------|
|                                    | Note | KES'000           | KES'000               | KES'000           |
| <b>Trade Payables:</b>             |      |                   |                       |                   |
| General Trade                      |      | 820,769           | 1,518,520             | 1,518,520         |
| General Foreign Suppliers          |      | 960,922           | 22,782                | 22,782            |
| Payroll                            |      | 518,891           | 570,076               | 570,076           |
| Accrued Expenditure                |      | 1,081,951         | 1,351,673             | 1,361,268         |
| <b>Other Payables</b>              |      |                   |                       |                   |
| Ministry of finance/Dredgco        |      | 287,231           | 287,231               | 287,231           |
| 2 <sup>nd</sup> Terminal Suppliers |      | 76,190            | 0                     | 0                 |
| Stock accruals                     |      | 2,774,826         | 2,008,282             | 2,008,282         |
| Advance Receipts                   | (a)  | 231,511           | 150,985               | 150,985           |
| KPA Directors                      |      | 420               | 126                   | 126               |
| Creditors Valuation                |      | 2,339,057         | 0                     | 0                 |
| Contractors Deposit                |      | 875,711           | 3,970,401             | 3,970,401         |
| Down Payment Cargo Customers       |      | 11,772            | 11,772                | 11,772            |
| KRC                                |      | 1,092,411         | 239,389               | 239,389           |
| VAT Payable                        |      | 73,421            | 59,548                | 59,548            |
| Verification Payable               |      | 43,811            | 36,964                | 36,964            |
| Others                             |      | 186,239           | 152,492               | 152,492           |
| <b>Total</b>                       |      | <b>11,375,133</b> | <b>10,380,241</b>     | <b>10,389,836</b> |

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2023**

| <b>a) Advance Receipts</b> | <b>2022/2023</b> | <b>2021/2022</b> |
|----------------------------|------------------|------------------|
|                            | <b>KES'000</b>   | <b>KES'000</b>   |
| Marine                     | 108,391          | 70,148           |
| Cargo                      | 95,708           | 13,375           |
| Rentals                    | 27,339           | 21,029           |
| Miscellaneous              | 73               | 0                |
| Freight                    | 0                | 46,433           |
| <b>Total</b>               | <b>231,511</b>   | <b>150,985</b>   |

**32. Retirement Benefits**

The Authority operates a Defined Benefit and Defined Contribution scheme for its employees. The assets of the two schemes are held in separate trustee-administered funds which are funded by both contributions from the Authority and employees. The Scheme is administered by Actuarial Services (E.A) Ltd ('ACTSERV'). The Scheme assets are invested by Co-op Trust Investment Services and Britam Asset Managers (Kenya) Limited in a segregated fund.

The Authority's contribution to the Defined contribution scheme is the final obligation. The employer's contributions payable for DC scheme was KES 1,374 million (FY 2021/2022 KES 1,302 million) and has been recognized in the Statement of Profit or Loss and Other Comprehensive Income.

The Authority Defined Benefit retirement scheme was closed to new entrants and future accrual of benefits effectively on 31<sup>st</sup> December 2012. The Authority only makes contribution to the scheme in respect of those members who opted to remain in the Defined Benefit scheme. The actuarial report as at 31<sup>st</sup> December 2020 showed an actuarial deficit of KES 6,987 million. The Authority as the sponsor contributes KES 44.6 million per month as part of the remedial plan to clear the deficit. A total of KES 535.2 million was remitted in FY 2022/2023. As at 30 June 2023, the scheme had an actuarial deficit of KES 6,451.8 million (KES 3,576.2 million deficit FY 2021/2022), out of which KES 535.2 million is classified as current.

|                                 | <b>2022/2023</b> | <b>2021/2022</b> |
|---------------------------------|------------------|------------------|
|                                 | <b>KES'000</b>   | <b>KES'000</b>   |
| Valuation at beginning          | 3,576,200        | 4,111,400        |
| Payments                        | (535,200)        | (535,200)        |
| Changes in valuation (Increase) | 3,410,800        | 0                |
| <b>Valuation at end</b>         | <b>6,451,800</b> | <b>3,576,200</b> |
| Apportioned as;                 | <b>KES'000</b>   | <b>KES'000</b>   |
| NCL                             | 5,916,600        | 3,041,000        |
| CL                              | 535,200          | 535,200          |
| <b>Total</b>                    | <b>6,451,800</b> | <b>3,576,200</b> |

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

|                                                                                 |       |                      | RESTATED             |                      |
|---------------------------------------------------------------------------------|-------|----------------------|----------------------|----------------------|
|                                                                                 | Note  | 2022/2023<br>KES'000 | 2021/2022<br>KES'000 | 2021/2022<br>KES'000 |
| <b>33. Reconciliation of operating profit to cash generated from operations</b> |       |                      |                      |                      |
| <b>Cash Flow from Operating Activities:</b>                                     |       |                      |                      |                      |
| Operating profits before tax                                                    |       | 16,642,226           | 11,148,252           | 11,282,268           |
| <b>Add/(Deduct):</b>                                                            |       |                      |                      |                      |
| Interest income                                                                 |       | (265,568)            | (166,877)            | (166,877)            |
| Interest expense                                                                | 15    | 445,587              | 18,512               | 18,512               |
| <b>Non-Cash Items:</b>                                                          |       |                      |                      |                      |
| Depreciation of Property Plant and Equipment                                    | 11,12 | 12,203,027           | 11,634,772           | 11,484,778           |
| Amortization of Intangible Assets                                               | 13    | 173,883              | 254,952              | 254,952              |
| Increase in Provision for impairment of debts                                   | 22    | 112,493              | 50,702               | 50,702               |
| Increase /(decrease) in Impairment of Asset-PPE                                 | 16    | (36,405)             | (5,273)              | (5,273)              |
| Decrease in Provision for Impairment Investments                                |       | 0                    | (100,500)            | (100,500)            |
| Merger effects- KFS impairment                                                  |       | 0                    | 67,418               | 67,418               |
| Merger effects- KFS rates                                                       |       | 0                    | (12,462)             | 0                    |
| Decrease in Provision for impairment of Inventory                               |       | (32,996)             | 0                    | 0                    |
| Write-off of Property Plant and Equipment                                       |       | 25,482               | 0                    | 0                    |
| Write-off of Inventory                                                          |       | 33,018               | 0                    | 0                    |
| Loss on sale of assets                                                          | 17    | 173,722              | 173,397              | 173,397              |
| Profit on sale of Surveyed stock                                                | 17    | (2,006)              | (3,862)              | (3,862)              |
| Other Net Gain/Loss                                                             | 17    | 11,871               | (1,819)              | (1,819)              |
| <b>Operating Profit before working capital changes</b>                          |       | <b>29,484,334</b>    | <b>23,057,212</b>    | <b>23,053,696</b>    |
| (Increase)/Decrease in Inventories                                              | 34    | (104,375)            | (47,247)             | (47,247)             |
| Increase in Prepayments                                                         | 35(a) | (452,082)            | (7,497)              | (13,576)             |
| (Increase)/Decrease in Trade & other receivables                                | 35(a) | (1,444,962)          | 433,683              | 433,683              |
| Increase/(Decrease) in Trade & other payables                                   | 35(b) | (1,353,760)          | (3,486,898)          | (3,477,303)          |
| <b>Cash generated from operations</b>                                           |       | <b>26,129,155</b>    | <b>19,949,253</b>    | <b>19,949,253</b>    |
| <b>34. Reconciliation of Inventories:</b>                                       |       |                      |                      |                      |
|                                                                                 |       | <b>2022/2023</b>     | <b>2021/2022</b>     |                      |
|                                                                                 |       | <b>KES'000</b>       | <b>KES'000</b>       |                      |
| Balance as at 30 June                                                           |       | 689,110              | 584,735              |                      |
| <b>Reconciled Movement Amount</b>                                               |       | <b>689,110</b>       | <b>584,735</b>       |                      |

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2023**

**35.Reconciliation of Receivables & Payables**

| (a) Reconciliation of Accounts Receivables: | 2022/2023         | RESTATED          | 2021/2022         |
|---------------------------------------------|-------------------|-------------------|-------------------|
|                                             | KES'000           | 2021/2022         | 2021/2022         |
|                                             |                   | KES'000           | KES'000           |
| Balance as at 30 June                       | 22,595,500        | 24,008,706        | 24,014,785        |
| <b>Add/(Less):</b>                          |                   |                   |                   |
| Merger effects- KFS debts                   | 0                 | (100,986)         | (100,986)         |
| Merger effect- KFS staff provision          | 0                 | 2,140             | 2,140             |
| Prepayment                                  | (967,085)         | (515,003)         | (521,082)         |
| <b>Subtotal</b>                             | <b>21,628,415</b> | <b>23,394,857</b> | <b>23,394,857</b> |
| Add: Valuation Adjustment                   | (1,852,565)       | (5,162,815)       | (5,162,815)       |
| <b>Reconciled Movement Amount</b>           | <b>19,775,850</b> | <b>18,232,042</b> | <b>18,232,042</b> |

| (b) Reconciliation of Accounts Payables: | 2022/2023         | RESTATED          | 2021/2022         |
|------------------------------------------|-------------------|-------------------|-------------------|
|                                          | KES'000           | 2021/2022         | 2021/2022         |
|                                          |                   | KES'000           | KES'000           |
| Balance as at 30 June                    | 11,345,663        | 10,380,241        | 10,389,836        |
| <b>Less/Add:</b>                         |                   |                   |                   |
| Merger adjustment-KFS Payables           | 0                 | 335,640           | 335,640           |
| Merger adjustment- KFS                   | 0                 | 48,171            | 48,171            |
| Vendor Adjustment                        | 0                 | (4,248)           | (4,248)           |
| Bonus adjusted to reserves               | 0                 | 1,151,415         | 1,151,415         |
| <b>Subtotal</b>                          | <b>11,345,663</b> | <b>11,898,757</b> | <b>11,920,814</b> |
| Less: Creditors Valuation                | (2,339,057)       | 0                 | 0                 |
| <b>Reconciled Movement Amount</b>        | <b>9,006,606</b>  | <b>11,898,757</b> | <b>11,920,814</b> |

| 36.Purchase of PPE                     | 2022/2023         | 2021/2022         |
|----------------------------------------|-------------------|-------------------|
|                                        | KES'000           | KES'000           |
| Purchase of PPE as at 30 June          | 18,642,358        | 30,845,046        |
| Recovery adjustments                   | 0                 | 54,442            |
| <b>Purchase of PPE as per Cashflow</b> | <b>18,642,358</b> | <b>30,899,488</b> |

| 37.GoK Project Funds       | 2022/2023      | 2021/2022        |
|----------------------------|----------------|------------------|
|                            | KES'000        | KES'000          |
| Kisumu Port infrastructure | 300,000        | 0                |
| Lamu Port Development      | 0              | 4,464,000        |
| Dongo Kundu                | 0              | 1,000,000        |
| <b>Reconciled Movement</b> | <b>300,000</b> | <b>5,464,000</b> |

During the year Kenya Ports Authority received KES 300 million from State Department of Transport for Kisumu Port infrastructure.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

### 38.Dividends

|                                   | 2022/2023        | RESTATED<br>2021/2022 | 2021/2022        |
|-----------------------------------|------------------|-----------------------|------------------|
| a. Dividends (Special)            | KES'000          | KES'000               | KES'000          |
| At the beginning of the year      | 0                | 0                     | 0                |
| Requested in the year             | 1,745,000        | 0                     | 0                |
| Paid within the year              | (1,745,000)      | 0                     | 0                |
| <b>Balance at end of the year</b> | <b>0</b>         | <b>0</b>              | <b>0</b>         |
| <b>b. Normal Dividends</b>        | <b>KES'000</b>   | <b>KES'000</b>        | <b>KES'000</b>   |
| FY 2018/19                        | 731,072          | 731,072               | 731,072          |
| FY 2019/20                        | 277,882          | 277,882               | 277,882          |
| FY 2020/21                        | 587,967          | 587,967               | 587,967          |
| FY 2021/22                        | 576,411          | 576,411               | 576,753          |
| FY 2022/23                        | 899,458          |                       |                  |
| <b>Paid within the year:</b>      |                  |                       |                  |
| FY 2018/19                        | (731,072)        | 0                     | 0                |
| FY 2019/20                        | (277,882)        | 0                     | 0                |
| FY 2020/21                        | (587,967)        | 0                     | 0                |
| <b>Balance as 30 June</b>         | <b>1,475,869</b> | <b>2,173,332</b>      | <b>2,173,674</b> |

Dividends are paid as per the Authority's approved Dividend policy.

### 39.Related Party Transactions

The Government of Kenya is the principal shareholder of the Authority, holding 100% of the Authority's equity interest. Included in debtors and investments are balances owing or receivable from the following related parties:

| Description                                  | 2023/2022<br>KES'000 | 2021/2022<br>KES'000 |
|----------------------------------------------|----------------------|----------------------|
| Kenya Ferry Services (Investment)            | 0                    | 100,000              |
| Ministry of Transport                        | 287,231              | 287,231              |
| Kenya National Shipping Line (Debtor)        | 28,178               | 28,178               |
| Kenya National Shipping Line<br>(Investment) | 54,347               | 54,347               |
| Impairment provision                         | (369,756)            | (469,756)            |
| <b>Total</b>                                 | <b>0</b>             | <b>0</b>             |
| DB Retirement Benefit Liability              | 6,451,800            | 3,576,200            |
| <b>Total</b>                                 | <b>6,451,800</b>     | <b>3,576,200</b>     |

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2023**

**i. Kenya Railway Corporation**

**• SGR**

Assets located at Kisumu, Naivasha, ICD Nairobi and Portreitz were transferred to the Authority from Kenya Railways under the SGR project. These assets have been incorporated into the statement of financial position based on estimated values of similar assets acquired by the Authority. A revaluation will be undertaken to reflect the assets at market value.

**• Take or Pay Arrangement**

The TOPA places the Authority as guarantor for minimum traffic and commits to pay KRC any shortfall. This arrangement increases the level of commitment and hence the risk on KPA cash flows. The agreement provides for a possible crystallization of the liability relating to the SGR project. In this event, the liability will be charged to the Statement of Profit or Loss during the period of occurrence and the agreement does not provide for reversal of such realized payment. The minimum tonnages in the agreement are per calendar year. For the year 2022, the minimum tonnage was 7,5883,333 while for the year 2023, the minimum tonnage is 7,309,000. A proration of these tonnages into the financial year 2022/2023 shows KPA should have railed a minimum of 7,446,166 tons. However, 6,192,750 tones were railed and USD 84,761,390 remitted to the SGR escrow account, against the expected USD 101,917,144. This gives a shortfall of 1,253,416 tons translating to a shortfall of USD 17,155,754. The maximum reduction of profit or the contingent liability for the year 2022/23 (12 months) is therefore USD 17,155,754. In the year 2021/22 the shortfall was USD 2,258,560

**ii. Key Management Compensation**

During the year, the senior management team comprising of divisional & departmental heads, and the MD were paid KES 818.9 million as salaries and other allowances. Director fees of KES 6 million has been provided for in the financial statements.

**iii. Kenya National Shipping Line**

KNSL enjoyed secretarial services from the Authority on the understanding that this would be paid for. The line has however operated under difficulties and has been unable to pay. The Authority has fully impaired the investment and the debt as per the impairment policy. Negotiations on the revival of operations and the restructuring of the shareholding of KNSL are ongoing.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2023**

**iv. Landlord Port Model**

The strategy of the port is to convert into a landlord model. GoK and other Stakeholders are in negotiations to implement the model in the long run. The expected transaction fees from the arrangement are expected to cover any financial obligations and have a reasonable return to KPA investment.

**v. Kenya Ferry Services**

The functions, Assets and liabilities of the Kenya Ferry Services were transferred to Kenya Ports Authority with effect from 1<sup>st</sup> July 2021 with subsequent absorption of the Kenya Ferry staff into the Kenya Ports Authority newly approved establishment. This resulted in the creation of Ferry Operations and Engineering Department in the Authority's structure whose implementation process is ongoing. As at 30<sup>th</sup> June 2022, the total defunct KFS staff population translated into the Authority was 264.

At the close of the year, all transactions of the ferry services were reported under KPA as per the relevant IFRS/IAS. The assets and liabilities were recorded using the book values as stated in the KFS last audited financial statements as at 30<sup>th</sup> June 2021. The vesting powers from the National government was conferred to Kenya Ports Authority through Legal Notice Number 39 of 31<sup>st</sup> March 2023. Revaluation of assets is planned to be undertaken in the financial year 2023/2024.

**vi. Kenya Ports Authority Pension Scheme**

The Authority operates Defined Benefit (DB) scheme alongside the Defined Contributory (DC) scheme. The Scheme is administered by an Internal Scheme Administrator assisted by Actuarial Services (E.A) Ltd ('ACTSERV') the Scheme Actuaries. The Scheme assets are invested in a segregated fund by two Fund Managers; Co-op Trust Investment Services and Britam Asset Managers (Kenya) Limited who are registered by the Capital Markets Authority and Retirement Benefits Authority.

The actuarial report as at 31<sup>st</sup> December 2022 indicated a funding level of 74.2%. The Authority as the sponsor contributes KES 44.6 million monthly as part of the remedial plan to fund the deficit. A total of KES 535.2 million was contributed in FY 2022/2023. As at 30 June 2023, the scheme had an actuarial deficit of KES 6,451.8 million (KES 3,576.2 million deficit FY 2021/2022), with KES 535.2 million being classified as current.

Treasury Circular No. 18 of 2010 directed all Government Agencies Pension Schemes to be autonomous and be delinked from the Sponsor. The Authority as the sponsor complied with the Circular in June 2021 by fully delinking from the Management of the Schemes. The Schemes employed their independent employees who manage the Secretariat headed by the Scheme Administrator. The overall Management responsibility rests with the Scheme Trustees. The Sponsor and members each appoint 50% of the Trustees.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2023**

**40. Financial Risk Management Policies**

The Authority's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Authority's overall risk management policies are set out by the board and implemented by the management and focuses on unpredictability of changes in the business environment and seeks to minimize the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The Authority does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

The Authority's financial risk management objectives and policies are detailed below;

**(i) Credit Risk Management**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk mainly arises from financial assets and is managed on an Authority-wide basis. The Authority does not grade the credit quality of financial assets that are neither past due nor impaired.

Credit risk on financial assets with banking institutions is managed by dealing with institutions with good credit ratings and placing limits on deposits that can be held with each institution, as stated in the investment policy.

Credit risk on trade receivables is managed by ensuring that credit is extended to customers with an established credit history. Credit history is determined by considering the financial position, past experience and other relevant factors. Credit is managed by setting the credit limit and the credit period for each customer. The utilization of the credit limits and the credit period is monitored by management on a monthly basis. The amounts presented in the Statement of Financial Position are net of provisions for impairment, estimated by the management based on prior experience and their assessment of the current economic environment.

The carrying amount of financial assets recorded in the financial statements represents the Authority's maximum exposure to credit risk without taking account of the value of any collateral obtained is as follows:

|                             | <b>Fully<br/>Performing<br/>KES'000</b> | <b>Past due<br/>KES'000</b> | <b>Impaired<br/>KES'000</b> | <b>Total<br/>KES'000</b> |
|-----------------------------|-----------------------------------------|-----------------------------|-----------------------------|--------------------------|
| <b>30-Jun-23</b>            |                                         |                             |                             |                          |
| Dues from related companies | 0                                       | 0                           | 372,459                     | <b>372,459</b>           |
| Trade receivables;          |                                         |                             |                             |                          |
| Marine                      | 304,229                                 | 37,216                      | 168,862                     | <b>510,307</b>           |
| Cargo                       | 1,755,230                               | 497,494                     | 2,124,299                   | <b>4,377,023</b>         |
| Rental                      | 33,141                                  | 70,120                      | 231,319                     | <b>334,580</b>           |
| Bank balances               | 1,667,485                               | 0                           | 0                           | <b>1,667,485</b>         |
| <b>Total</b>                | <b>3,760,085</b>                        | <b>604,830</b>              | <b>2,896,939</b>            | <b>7,261,854</b>         |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

### Financial Risk Management Policies (Cont'd)

| <b>30-Jun-22</b>            | <b>Fully<br/>Performing<br/>KES'000</b> | <b>Past due<br/>KES'000</b> | <b>Impaired<br/>KES'000</b> | <b>Total<br/>KES'000</b> |
|-----------------------------|-----------------------------------------|-----------------------------|-----------------------------|--------------------------|
| Dues from related companies | 0                                       | 0                           | 372,459                     | <b>372,459</b>           |
| Trade receivables;          |                                         |                             |                             |                          |
| Marine                      | 454,997                                 | 24,757                      | 142,427                     | <b>622,181</b>           |
| Cargo                       | 1,734,675                               | 712,025                     | 2,082,433                   | <b>4,529,133</b>         |
| Rental                      | 51,657                                  | 38,975                      | 218,131                     | <b>308,763</b>           |
| Bank balances               | 3,406,634                               | 0                           | 0                           | <b>3,406,634</b>         |
| Mpesa balance               | 14,079                                  | 0                           | 0                           | <b>14,079</b>            |
| <b>Total</b>                | <b>5,661,973</b>                        | <b>773,894</b>              | <b>2,788,008</b>            | <b>9,253,249</b>         |

The customers are paying their debts as they continue trading. The Authority is actively pursuing this debt. The debt that is impaired has been provided for as per the Authority Credit control policy. The allowance for uncollectible amounts that the Authority has recognized in the financial statements is considered adequate to cover any potential irrecoverable amounts. The Authority is pursuing various measures to recover the impaired amounts.

The board of directors sets the Authority's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

#### (ii) Liquidity Risk Management

Liquidity risk is the risk that the Authority will encounter difficulty in meeting obligations associated with financial liabilities. Ultimate responsibility for liquidity risk management rests with the Authority's directors, who have built an appropriate liquidity risk management framework for the management of the entity's short, medium and long-term funding and liquidity management requirements thereby ensuring that all financial liabilities are settled as they fall due.

The Authority manages liquidity risk through continuous monitoring of forecasts and actual cash flows and maintaining banking facilities to cover any shortfalls. The forecast provides details of additional undrawn facilities that may be utilized by the Authority to further reduce liquidity risk.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2023**

**Financial Risk Management Policies (Cont'd)**

The table below analyses the Authority's financial liabilities as at 30<sup>th</sup> June 2023 that will be settled on a net basis on maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

**As at 30 June 2023**

| <b>Payables</b>             | <b>Less than</b> | <b>Between</b>      | <b>Over</b>      | <b>Total</b>     |
|-----------------------------|------------------|---------------------|------------------|------------------|
|                             | <b>1 month</b>   | <b>1 – 3 months</b> |                  |                  |
|                             | <b>KES'000</b>   | <b>KES'000</b>      | <b>KES'000</b>   | <b>KES'000</b>   |
| General & Foreign Payables  | 1,206,440        | 290,215             | 285,036          | <b>1,781,691</b> |
| Payroll & GPA               | 335,206          | 12,610              | 171,075          | <b>518,891</b>   |
| Borrowings-Current portion  | 0                | 0                   | 1,021,691        | <b>1,021,691</b> |
| Employee Benefit Obligation | 44,600           | 133,800             | 356,800          | <b>535,200</b>   |
| <b>Total</b>                | <b>1,586,246</b> | <b>436,625</b>      | <b>1,834,602</b> | <b>3,857,473</b> |

**As at 30 June 2022**

| <b>Payables</b>             | <b>Less than</b> | <b>Between</b>      | <b>Over</b>      | <b>Total</b>     |
|-----------------------------|------------------|---------------------|------------------|------------------|
|                             | <b>1 month</b>   | <b>1 – 3 months</b> |                  |                  |
|                             | <b>KES'000</b>   | <b>KES'000</b>      | <b>KES'000</b>   | <b>KES'000</b>   |
| Trade Payables              | 1,233,013        | 200,297             | 107,992          | <b>1,541,302</b> |
| Payroll                     | 359,497          | 2,266               | 208,313          | <b>570,076</b>   |
| Borrowings-Current Portion  | 0                | 0                   | 1,492,345        | <b>1,492,345</b> |
| Employee Benefit Obligation | 44,600           | 133,800             | 356,800          | <b>535,200</b>   |
| <b>Total</b>                | <b>1,637,110</b> | <b>336,363</b>      | <b>2,165,450</b> | <b>4,138,923</b> |

**(iii) Market risk Management**

The Board takes the overall responsibility for managing risk. A Risk Management Committee is in place to oversee the implementation of policies approved by the Board. The Risk Management Framework enables the Management a clear and an informed Risk-Based decision making. The Authority continues to be committed to robust risk management practices as an integral part of good corporate governance.

The Authority maintains a sound risk management and internal control system that determines the nature and extent of the risks to take in pursuit of the strategic objectives. The Risk Management Committee reviews the risk management framework to ensure that it readily identifies key risks and strategies to mitigate them.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

### Financial Risk Management Policies (Cont'd)

All business units have developed risk registers, based on a standardized risk management methodology to identify, assess and monitor the key risks faced by the business. Information on the efficacy of the risk treatment plans, trends, direction of risk over time, is provided in relation to each risk on a quarterly basis. The identified risks are assessed in terms of their impact and likelihood. Mitigation plans are put in place to manage the risks identified and exploit the attendant opportunities.

Risk Management is factored in the day-to-day processes thereby informing sound decision making.

Market risk is the risk arising from changes in market prices, such as interest rate, and foreign exchange rates which will affect the Authority's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Market risk comprises two types of risk: currency risk and interest rate risk.

#### a) Foreign Currency Risk

The Authority's is exposed to foreign exchange risk arising from various transactions denominated in foreign currencies, primarily with respect to the US dollar and Japanese Yen. This results in exposures to exchange rate fluctuations. The balances impacted in this regard are the balances due to foreign suppliers, balances due from debtors, and bank balances. Exchange rate exposures are managed within approved policy parameters utilizing matching of assets and liabilities. Invoices denominated in foreign currencies are paid using the prevailing exchange rate at the time of payment.

The carrying amounts of the Authority's main foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows;

| Currency<br>(USD)  | Liabilities<br>30-Jun<br>2022/23 |              | Assets<br>30-Jun<br>2022/23 |               | Liabilities<br>30-Jun<br>2021/22 |               | Assets<br>30-Jun<br>2021/22 |               |
|--------------------|----------------------------------|--------------|-----------------------------|---------------|----------------------------------|---------------|-----------------------------|---------------|
|                    | KES'000                          | USD'000      | KES'000                     | USD'000       | KES'000                          | USD'000       | KES'000                     | USD'000       |
| <b>Assets</b>      |                                  |              |                             |               |                                  |               |                             |               |
| Bank               |                                  |              | 668,275                     | 4,758         |                                  |               | 2,003,434                   | 17,009        |
| Receivables        |                                  |              | 9,313,290                   | 72,693        |                                  |               | 7,957,498                   | 69,369        |
| <b>Liabilities</b> |                                  |              |                             |               |                                  |               |                             |               |
| Payables           | 1,212,155                        | 7,982        |                             |               | 1,244,469                        | 10,573        |                             |               |
| <b>Total</b>       | <b>1,212,155</b>                 | <b>7,982</b> | <b>9,981,565</b>            | <b>77,451</b> | <b>1,244,469</b>                 | <b>10,573</b> | <b>9,960,932</b>            | <b>86,378</b> |

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2023**

**Financial Risk Management Policies (Cont'd)**

| Currency<br>(JPY)      | Liabilities<br>30-Jun<br>2022/23 |                  | Assets<br>30-Jun<br>2022/23 |                | Liabilities<br>30-Jun<br>2021/22 |                  | Assets<br>30-Jun<br>2021/22 |                |
|------------------------|----------------------------------|------------------|-----------------------------|----------------|----------------------------------|------------------|-----------------------------|----------------|
|                        | KES'000                          | JPY'000          | KES'000                     | JPY'000        | KES'000                          | JPY'000          | KES'000                     | JPY'000        |
| <b>Assets</b>          |                                  |                  |                             |                |                                  |                  |                             |                |
| Receivables            |                                  |                  | 510,806                     | 521,976        |                                  |                  | 270,244                     | 286,345        |
| <b>Liabilities</b>     |                                  |                  |                             |                |                                  |                  |                             |                |
| Borrowings<br>-Current | 1,021,691                        | 1,044,034        |                             |                | 1,492,345                        | 1,726,052        |                             |                |
| Payables               | 69,284                           | 59,653           |                             |                |                                  |                  |                             |                |
| <b>Total</b>           | <b>1,090,975</b>                 | <b>1,103,687</b> | <b>510,806</b>              | <b>521,976</b> | <b>1,492,345</b>                 | <b>1,726,052</b> | <b>270,244</b>              | <b>286,345</b> |

**b) Foreign currency sensitivity analysis**

The sensitivity analysis in foreign currency arises from bank balances, trade receivables and payables denominated in foreign currency mainly US dollars (USD) and Japanese Yen.

The following table demonstrates the effect on the Authority's Statement of Profit or Loss and Other Comprehensive Income on applying the sensitivity for a reasonable possible 10% change in the exchange rate of the main foreign transaction currencies, with all other variables held constant. The reverse would also occur if the Kenya Shilling appreciated with all other variables held constant.

|             | Exchange rate | Change in<br>currency rate | Effect on<br>Profit before tax<br>KES'000 |
|-------------|---------------|----------------------------|-------------------------------------------|
| <b>2023</b> |               |                            |                                           |
| USD         | 140.45        | 10%                        | 975,690                                   |
| JPY         | 0.9786        | 10%                        | 56,926                                    |
| <b>2022</b> |               |                            |                                           |
| USD         | 117.79        | 10%                        | 892,907                                   |
| JPY         | 0.8646        | 10%                        | 124,477                                   |

**c) Interest Rate Risk**

Interest rate risk is the risk that the corporation financial condition may be adversely affected as a result of changes in interest rate levels. The Authority is exposed to interest rate risk as it borrows and invests funds. Borrowings are mainly in fixed rates thus minimizing the exposure to the interest rate risk. The interest earning financial assets that the Authority holds include bank and short-term deposits whose rates of return are predetermined. The Authority regularly monitors the interest rate movements to ensure that the optimum interest rates are obtained.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2023**

**Financial Risk Management Policies (Cont'd)**

**Management of interest rate risk**

To manage the interest rate risk, management has endeavored to bank with institutions that offer favorable interest rates.

**Interest rate sensitivity Analysis**

As at 30 June 2023, an increase/decrease of 1% change, with all other variables held constant, would have resulted in a decrease /increase in profit for the year of KES 16 million (2021/2022 KES 27 million), mainly as a result of higher/lower interest charges on long term investments. A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of KES 81 million.

**(iv) Fair value of financial assets and liabilities**  
**(a) Financial instruments measured at fair value.**

Determination of fair value and fair values hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Authority's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The
- Authority considers relevant and observable market prices in its valuations where possible.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2023**  
**Financial Risk Management Policies (Cont'd)**

As at 30 June 2023, the Authority held the following financial instruments measured at fair value.

| <b>At 30 June 2023</b>     | <b>Level 1<br/>KES'000</b> | <b>Level 2<br/>KES'000</b> | <b>Level 3<br/>KES'000</b> | <b>Total<br/>KES'000</b> |
|----------------------------|----------------------------|----------------------------|----------------------------|--------------------------|
| <b>Financial Assets</b>    |                            |                            |                            |                          |
| Investment Deposit*        | 6,700,789                  | 0                          | 0                          | 6,700,789                |
| <b>Total</b>               | <b>6,700,789</b>           | <b>0</b>                   | <b>0</b>                   | <b>6,700,789</b>         |
| <b>Financial Liability</b> |                            |                            |                            |                          |
| Borrowings - Jica 1        | 21,444,472                 | 0                          | 0                          | 21,444,472               |
| Jica 2                     | 31,287,091                 | 0                          | 0                          | 31,287,091               |
| Jica SEZ                   | 513,947                    | 0                          | 0                          | 513,947                  |
| Stanbic1                   | 6,342,741                  | 0                          | 0                          | 6,342,741                |
| Stanbic2                   | 1,123,543                  | 0                          | 0                          | 1,123,543                |
| <b>Total</b>               | <b>60,711,794</b>          | <b>0</b>                   | <b>0</b>                   | <b>60,711,794</b>        |

| <b>At 30 June 2022</b>     | <b>Level 1<br/>KES'000</b> | <b>Level 2<br/>KES'000</b> | <b>Level 3<br/>KES'000</b> | <b>Total<br/>KES'000</b> |
|----------------------------|----------------------------|----------------------------|----------------------------|--------------------------|
| <b>Financial Assets</b>    |                            |                            |                            |                          |
| Investment Deposit*        | 840,860                    | 0                          | 0                          | 840,860                  |
| <b>Total</b>               | <b>840,860</b>             | <b>0</b>                   | <b>0</b>                   | <b>840,860</b>           |
| <b>Financial Liability</b> |                            |                            |                            |                          |
| Borrowings - Jica 1        | 19,773,565                 | 0                          | 0                          | 19,773,565               |
| Jica 2                     | 24,660,767                 | 0                          | 0                          | 24,660,767               |
| Stanbic                    | 4,842,980                  | 0                          | 0                          | 4,842,980                |
| <b>Total</b>               | <b>49,277,312</b>          | <b>0</b>                   | <b>0</b>                   | <b>49,277,312</b>        |

\* Call deposits held with various banks

There were no transfers between levels during the year.

**(b) Financial instruments not measured at fair value.**

Disclosures of fair values of financial instruments not measured at fair value have not been made because the carrying amounts are a reasonable approximation of their fair values.

**(v) Capital Risk Management**

The Authority's objectives when managing capital are:

- (i) To match the profile of its assets and liabilities, taking account of the risks inherent in the business;

**NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 30 JUNE 2023**

**Capital Risk Management(Cont'd)**

- (ii) To maintain financial strength to support business growth; and
- (iii) To safeguard the Authority's ability to continue as a going concern so that it can continue to provide adequate returns to the GoK and value to all other stakeholders. Capital adequacy is monitored regularly by the corporation's management and the Board of Directors.

The capital structure of the Authority consists of debt, which includes borrowings, and capital, other reserves and retained earnings. The Authority monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital and reserves.

| Description                                         | 2022/2023<br>KES'000 | 2021/2022<br>KES'000 |
|-----------------------------------------------------|----------------------|----------------------|
| <b>Total Capital and Reserves</b>                   | <b>215,083,746</b>   | <b>222,675,029</b>   |
| Total Borrowings                                    | 60,711,794           | 49,277,312           |
| Less: Cash and Bank balances                        | (1,668,566)          | (3,422,167)          |
| <b>Net Debt/ (Excess Cash and Cash Equivalents)</b> | <b>59,043,228</b>    | <b>45,855,145</b>    |
| <b>Gearing</b>                                      | <b>27%</b>           | <b>21%</b>           |

**41. Contingent Liabilities**

Claims lodged and cases filed against the Authority in respect of third-party claims are estimated and are disclosed, in the table below;

| Contingent Liabilities | 2022/2023<br>KES` 000 | 2021/2022<br>KES` 000 |
|------------------------|-----------------------|-----------------------|
| Court cases            | 14,094,141            | 16,432,000            |
| Others                 | 2,409,526             | 0                     |
| <b>Total</b>           | <b>16,503,667</b>     | <b>16,432,000</b>     |

**42. Incorporation**

The Authority was established through an Act of parliament Cap 391 on 20<sup>th</sup> January 1978.

**43. Events after the Reporting Period**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended 30 June 2023.

**44. Reporting Currency**

The functional and reporting currency is Kenya Shillings (KES).

**APPENDICES**

**I. PROGRESS ON FOLLOW-UP OF AUDITOR RECOMMENDATIONS**

The following is a summary of issues raised by the Office of the Auditor General, management comments and status;

| <b>Audit Report</b> | <b>Observations From the auditor</b>              | <b>Management Comments</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | <b>Status</b> |
|---------------------|---------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|
| FY 2021/22          | Unconfirmed Stevedoring Wharfage Collections- and | <p>All the bulk cargo handled was charged as per what was declared in the manifest. The Manifest is an accountable document that is not only submitted to Customs Authorities for verification but also the shipper and the carrier have to each agree on the details and neither of them will want to be short-changed. In addition, the Marine draft readings in/out reports are relied upon for reconciliation purposes. It should be observed that Marine Draft Reading in/out is done by a certified Surveyor to ascertain the tonnages/quantities discharged.</p> <p>The billing of stevedoring charges is based on the volume or quantity manifested as per the bill of lading (B/L) and any other information from operations and billed as per the Tariff rates applicable.</p> <p>On wharfage, the charge is based on B/L declared volumes/tonnages as submitted to customs (KRA). The survey report is based on the overall vessel quantity and cannot be assigned to any B/L or consignee.</p> <p>The issue of installing meters may not be feasible for liquid bulk cargoes as the industry uses tank firm dipping.</p> | Not Resolved  |
|                     | Unsupported of Labor Equipment Revenue. Hire and  | <p>The Management is working on improving and developing a documentary format where the machine release time, work hours and time of completion can be logged in for evidentiary purposes and ease of monitoring.</p> <p>The current equipment being utilized in Conventional Cargo Operations does not have the said network equipment installed on them.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Not Resolved  |

## APPENDICES (Cont'd)

## PROGRESS ON FOLLOW-UP OF AUDITOR RECOMMENDATIONS

| Audit Report  | Observations From the auditor                                                    | Management Comments                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Status       |
|---------------|----------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|
| FY<br>2021/22 | Non-Collection of Jetty fees                                                     | After enactment of the Kenya Maritime Authority Act, the role of inspection of boats and other marine crafts was relegated to KMA. KPA is required to licence boat operators only after they have been certified by KMA.<br>Further, some of the jetties were not in use and dilapidated.                                                                                                                                                                                                                                                                                                                     | Not Resolved |
|               | Stevedoring Credit notes                                                         | The Authority has in place a Dispute management module where disputes are lodged, investigated and processed. Credit notes are processed once confirmed by operations and supported by a signed billing information form.                                                                                                                                                                                                                                                                                                                                                                                     | Resolved     |
|               | Unsupported Material Increase in Insurance Premium                               | Besides the transfer of KFS operations to KPA, the Likoni floating bridge and all insurance costs were also borne by KPA. The Authority is in the process assessing and valuing its assets.                                                                                                                                                                                                                                                                                                                                                                                                                   | Not Resolved |
|               | Irregular Engagement of Training Service Providers                               | This was attributed to the delayed procurement of prequalified training service providers.<br>The STCW course was an open program that was announced by the training provider in the market, which met the Authority's learning and development needs. The training was conducted at Kisumu Maritime Center, which is one of the approved training institutions by the Kenya Maritime Authority. Further, the procurement evaluation process was finalized and contracts for the prequalified training service providers were signed in June 2022. The contracts were available for perusal during the audit. | Resolved     |
|               | Unsupported Hire of Commuter Bus Services and Un-Procedural Contract Undertaking | The bus worksheets for the 7 months are available for review.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Not Resolved |

**APPENDICES (Cont'd)**

**PROGRESS ON FOLLOW-UP OF AUDITOR RECOMMENDATIONS**

| <b>Audit Report</b> | <b>Observations From the auditor</b>                                                  | <b>Management Comments</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | <b>Status</b> |
|---------------------|---------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|
| FY<br>2021/22       | Irregular Sponsorship of Bandari Football Club.                                       | The Memorandum of Understanding between the Authority and the Club is still under review. However, a breakdown of the KES 5,592,133 were availed to the auditor along with the financial statement.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Not Resolved  |
|                     | Unsupported operating Expenses on cleaning Services at Lamu port                      | The Authority had advertised new tenders. In the absence of a completed process, the suppliers continue to offer the services to avert a crisis.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Not Resolved  |
|                     | Irregular Procurement of Consultancy Services for Transaction Advisory and Sunk Costs | <p>The Authority engaged the firm through Direct Procurement pursuant to section 103 (d) of the Public Procurement and Asset Disposal Act, 2015 for purposes of evaluation and processing of the project through the PPP project cycle.</p> <p>Due to the urgency of the assignment, KPA opted to engage the firm to assist in the selection process. This was because the firm was previously engaged by KPA in a similar assignment and therefore had sufficient background knowledge, institutional memory, and necessary resources. The firm was to undertake a market-sounding consultation process for operator search of the identified assets. However, the process of identifying an operator for the assets was prematurely halted following a court injunction barring any sale or privatization of the identified assets.</p> <p>The policy on the management and operations of the port terminal is provided for by the National Government. KPA as an implementing agency, is guided on the direction to take by the parent ministry. In both circumstances, KPA received directive from her parent ministry to initiate the negotiation processes.</p> | Not Resolved  |

**APPENDICES (Cont'd)**

**PROGRESS ON FOLLOW-UP OF AUDITOR RECOMMENDATIONS**

| <b>Audit Report</b> | <b>Observations From the auditor</b> | <b>Management Comments</b>                                                                                                                                                                                                                                                                                                                                                                                                                    | <b>Status</b> |
|---------------------|--------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|
| FY<br>2021/22       | Expensing of Land Rates Arrears      | KFS assets and liabilities were recorded using book values as recorded in KFS audited accounts for the year ended 30 June 2021. The municipal land rates were not recorded in the audited accounts. However KPA received demand notes for the rates which were processed for payments. The arrears were corrected and adjusted in the KPA restated accounts for the year ended 30 June 2023.                                                  | Resolved      |
|                     | Irregular Staff Expenditure          | The basis of the MOU with the police service is being reviewed as well as the rent arrangement for the PMAESA office accommodation.                                                                                                                                                                                                                                                                                                           | Not Resolved  |
|                     | Leased Housing Expenditure           |                                                                                                                                                                                                                                                                                                                                                                                                                                               |               |
|                     | Unsupported Duty travel expenditure  | The yard marking had weathered out thus requiring maintenance works. Approval for the staff travel to Lamu for the Lamu yard marking/works were availed to the auditor. Further, as explained during the audit, the KES 629,458 on insurance premium was not classified or expensed under duty travel expenditure. The transaction which was incurred by KFS before the merger with KPA was adjusted to the reserve account vide order 605140 | Resolved      |
|                     | Unsupported Tax Charge Computation   | The information was availed during audit.                                                                                                                                                                                                                                                                                                                                                                                                     | Resolved      |
|                     | Kenya Ferry Absorption.              | Assets had been recorded at book values. This amount differed with the net book value reported by Kenya Ferry Services. This was due to EX-KFS policies on recognition of certain assets as CAPEX, while KPA policies recognized and treated those assets as OPEX.                                                                                                                                                                            | Resolved      |

**APPENDICES (Cont'd)**

**PROGRESS ON FOLLOW-UP OF AUDITOR RECOMMENDATIONS**

| <b>Audit Report</b> | <b>Observations From the auditor</b>                      | <b>Management Comments</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | <b>Status</b> |
|---------------------|-----------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|
| FY 2021/22          | Work-In-Progress Terminal Operating System Infrastructure | The Actual SLA shall be entered into by the Authority with service provider. The signed contract had listed the support areas to be provided.<br>The approval process for procuring the maintenance and support services has been initiated to ensure that there is no exposure of system downtime.<br>Further, as explained to the auditor, the Authority has in its possession sufficient spares to mitigate against any systems downtime during the warranty period.<br>However, for the future the Authority has initiated the procurement process for a Framework Agreement for the supply of spare parts | Not Resolved  |
|                     | Non-Disclosure of Contingent Liability                    | The observation is noted.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |               |
|                     | Contract for Provision of Portable Water at Lamu Port     | The Lamu water and sanitation company ltd was unable to supply adequate water to KPA. Hence the urgent need to procure a desalination plant to enable operationalization of Lamu port.                                                                                                                                                                                                                                                                                                                                                                                                                         | Not Resolved  |
|                     | Non-Compliance with gender Composition requirements       | The Authority continues to make efforts to implement the gender provisions contained in the PSC HR Policy and procedural manual for Public Service 2015. Analysis of the gender diversity for the past 4 years provided below indicates that the number of females in the authority has increased from 20.7% (2019) to 21.7% (2022). The Authority endeavors to apply affirmative action to comply with the Law.                                                                                                                                                                                               | Not Resolved  |
|                     | Staff Earning Less than a Third of Basic Pay              | The observation is noted. However, some deductions come unexpectedly and have to be effected while the employee is still servicing other loans. These deductions can neither wait nor be spread to cover a longer period. Example - Court Attachments.                                                                                                                                                                                                                                                                                                                                                         | Not Resolved  |

## APPENDICES (Cont'd)

## PROGRESS ON FOLLOW-UP OF AUDITOR RECOMMENDATIONS

| Audit Report  | Observations From the auditor                                       | Management Comments                                                                                                                                                                                                                                                                               | Status       |
|---------------|---------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|
| FY<br>2021/22 | Non-Compliance with the National Cohesion and Integration Act, 2008 | The Authority is making efforts to ensure compliance with Section 7(2) of the National Cohesion and Integration Act, 2008. From the ethnic composition analysis of the Authority's employees tabulated below, the Mijikenda have for the past 4 years reduced from 35.69% (2019) to 34.44% (2022) | Not Resolved |
|               | Irregular Execution of Commuter Bus Service Contract for Lamu Port  | The Authority required the services of Bus Contractors to serve the Port of Lamu as a stop-gap measure during the operationalization of the Port and relied on local contractors.<br>The Authority is in the process of issuing out a new tender document                                         | Not Resolved |
|               | Irregular Procurement of Air Tickets for volleyball team to Tunisia | The team was engaged in a national duty assignment with limited budget. The Authority checked the ticket prices in the open market and was offered more competitive rates than the contracted agent. The Authority got value for money.                                                           | Resolved     |
|               | Failure to Conduct a Training Needs Assessment                      | Due to budget cuts as a result of austerity measures and the effects of the COVID-19 pandemic, the Authority was using the training needs analysis of 2017. The Authority is currently conducting an organization-wide training needs assessment                                                  | Not Resolved |
|               | Management and Implementation of Civil Works Maintenance.           | Maintenance works are planned on a regular basis and supported by findings from the Port infrastructure inventory condition survey reports undertaken by the Authority to ascertain and implement maintenance programmes.                                                                         | Not Resolved |
|               | Irregular Promotions of Staff                                       | The Board considered the communication from the National Treasury and approved the appointments of senior staff members of Kenya Ports Authority and former Kenya Ferry services Ltd.                                                                                                             | Not Resolved |

**APPENDICES (Cont'd)**

**PROGRESS ON FOLLOW-UP OF AUDITOR RECOMMENDATIONS**

| <b>Audit Report</b> | <b>Observations From the auditor</b>        | <b>Management Comments</b>                                                                                                                                                            | <b>Status</b> |
|---------------------|---------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|
| FY 2021/22          | Unconfirmed seaworthiness of Marine vessels | Mv. Kilindini is due for decommissioning. While Mv. Harambee was on mandatory maintenance program. All other ferries are seaworthy and ship certificates were availed to the auditor. | Resolved      |

  
Capt. William Ruto, AFNI  
**MANAGING DIRECTOR**

## APPENDICES (Cont'd)

## II. INTER- ENTITY TRANSFERS FROM OTHER GOVERNMENT ENTITIES

| Name of the MDA/Donor Transferring the funds | Nature of Development Funds | Date received | Amount received KES'000 | Total Amount KES'000 | Where Recorded/<br>recognized      | Total Transfer FY 2021/22 KES'000 |
|----------------------------------------------|-----------------------------|---------------|-------------------------|----------------------|------------------------------------|-----------------------------------|
|                                              |                             |               |                         |                      | Statement of Financial Performance |                                   |
| State Department for Transport               | Dongo Kundu Project         | 16.06.2023    | 50                      | 50                   | Non-Current Liabilities            | 50                                |
| The National Treasury                        | Lamu Port Project           | 16.06.2023    | 300                     | 300                  | Non-Current Liabilities            | 300                               |
| <b>Total</b>                                 |                             |               | <b>350</b>              | <b>350</b>           |                                    | <b>350</b>                        |

## III. REPORTING OF CLIMATE RELEVANT EXPENDITURES

| Project Name                                                            | Project Objectives                                                                                                                                          | Project Site                                    | Source of funds | Amount (KES'000) | Partners                                                            |
|-------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------|-----------------|------------------|---------------------------------------------------------------------|
| Removal of Asbestos of Roofing and re-roofing with Aluminum Iron Sheets | To enhance the implementation of the Green Port Policy in line with the Government initiative in ensuring a clean and healthy environment for its citizenry | Kenya Ports Authority – Mombasa Port            | Internal        | 159,496          | No external Partner involved                                        |
| Tree planting at Degraded sites                                         | Restoration of degraded mangrove forest                                                                                                                     | Tudor creek, Shimoni Fishing Port, Kwale County | Internal        | 1,600            | SECO, Community based organizations, Youth and women groups, Scouts |

## IV. PROJECTS IMPLEMENTED BY THE ENTITY

As at 30 June 2023 the Authority was undertaking the underlisted projects with an objective of expanding capacity and modernization of equipment to increase efficiency in port services.

| Project title                                      | Project Number | Donor | Period/duration          | Donor Commitment (JPY'Million) | Separate donor reporting required as per the donor agreement (Yes/No) |
|----------------------------------------------------|----------------|-------|--------------------------|--------------------------------|-----------------------------------------------------------------------|
| Dongo Kundu Special Economic Zone (Loan Agreement) |                | JICA  | 27/02/2020 to 31/12/2028 | 37,090                         | Yes                                                                   |

## APPENDICES (Cont'd)

## PROJECTS IMPLEMENTED BY THE ENTITY (Cont'd)

| Project title                                       | Project Number | Donor | Period/<br>duration      | Donor<br>Commitment<br>(JPY'Million) | Separate<br>donor<br>reporting<br>required<br>as per the<br>donor<br>agreement<br>(Yes/No) |
|-----------------------------------------------------|----------------|-------|--------------------------|--------------------------------------|--------------------------------------------------------------------------------------------|
| Dongo Kundu Special Economic Zone (Grant Agreement) |                | JICA  | 16/06/2022 to 31/12/2025 | 6,000                                | Yes                                                                                        |

## V. STATUS OF PROJECTS COMPLETION AND VIABILITY

| Project                                                     | Total project Cost ('000) | Total expended to date ('000) | Completion % to date               | Budget ('000) | Actual ('000) | Sources of funds |
|-------------------------------------------------------------|---------------------------|-------------------------------|------------------------------------|---------------|---------------|------------------|
| Shimoni Fish Port                                           | KES2,436,720              | KES337,468                    | 23%                                | KES 2,507,000 | KES337,468    | KPA              |
| EPC of New Kipevu Oil Terminal (KOT) of Mombasa Port        | USD343,877                | USD340,872                    | 99.8%                              | KES44,905,000 | USD340,872    | KPA              |
| Dongo Kundu Special Economic Zone (Loan Component)          | JPY49,900,000             | JPY451,024                    | Tender Assistance                  | JPY49,900,000 | JPY451,024    | JICA             |
| Widening of Port Road from Gantry Workshop to Gate 18/20    | KES111,982                | KES22,607                     | Design Review & Tender Preparation | KES 915,000   | KES 22,607    | KPA              |
| Rehabilitation and Extension of Peleleza Jetty              | KES90,558                 | 0                             | 25% (Design Review)                | KES 200,000   | 0             | KPA              |
| Removal of Asbestos roof and Reroofing with Aluminium Sheet | KES1,049,568              | KES159,496                    | 15%                                | KES550,000    | KES159,496    | KPA              |

**STATUS OF PROJECTS COMPLETION AND PROJECT VIABILITY****Projects Viability Report**

| Project Name                                             | Facilitation in KPA mandate delivery                                                                                                                                                                                                                                                                                                                                     | Alignment with National Government Strategic Objectives                                     | Expected Completion Date | Current Percent Completion | Key Achievements and Challenges                                                 | Way Forward                                                                 |
|----------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------|--------------------------|----------------------------|---------------------------------------------------------------------------------|-----------------------------------------------------------------------------|
| Widening of Port Road from Gantry Workshop to Gate 18/20 | The project entails provision of approximately 1.4Km long road extending from the Gantry Workshop to gate 18 exit via the One Stop center. The envisaged benefit is that it shall provide an expressway from Kilindini Side to the Second Terminal avoiding the crossing at Gate 18 Junction and also the level crossing at the Western side of One Stop Centre Parking. | Aligned to the job creation and cost of living initiatives of the National Government BETA. | July 2026                | 15% (design review)        | Consultancy services for design review awarded. ESIA for the project commenced. | Expedite on going design review process to enable construction commencement |
| Rehabilitation and Extension of Peleleza Jetty           | To construct a jetty that would allow berthing of at least two ferry-lengths. The new jetty would be made with offshore facilities like electrical and water connection. A boat landing area would also be constructed for use by the service and rescue boats. Currently, there is no emergency securing area for the ferries at the mainland side at night.            | Aligned to the cost-of-living initiative of the National Government BETA.                   | Dec 2025                 | 25% (design review)        | Consultancy services for design review awarded. ESIA for the project completed. | Expedite ongoing design review process to enable construction commencement  |

**KENYA PORTS AUTHORITY**  
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| Project Name                                          | Facilitation in KPA mandate delivery                                                                                                                                                                                                                                                                                                                                            | Alignment with National Government Strategic Objectives                                                                                                                                                                                                                                                                                                                                                                          | Expected Completion Date | Current Percent Completion | Key Achievements and Challenges                                                                                                                                       | Way Forward                                                       |
|-------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|----------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------|
| Dongo Kundu Berth No. 1                               | The Authority is working closely together with other government agencies to develop a Special Economic Zone and Port facilities at Dongo- Kundu which includes Dongo Kundu Berth 1 with a Berth Length of 300m and draft of 15m and other related infrastructural works.                                                                                                        | Aligned to the job creation and cost of living initiatives of the National Government BETA.<br>-Aligned to support a Special Economic Zone and fostering Manufacturing.                                                                                                                                                                                                                                                          | Dec 2028                 | N/A                        | Design – 100%<br>Procurement -50%<br>Implementation – 0%.                                                                                                             | Expedite the RAP implementation and procurement of the Contractor |
| Shimoni Fish Port<br>(Construction of a Modern Jetty) | The current jetty is used for small scale fishing with yearly output of 10,000 metric tonnes. It is underdeveloped for deep sea fishing and there is lack of resources and knowledge by local small-scale fishermen for deep sea commercial fishing. This project will result in improved revenues for the small-scale farmers and underutilized natural re-sources in Shimoni. | KPA developed a Master Plan for Small Ports in November 2012 which provided the development plan for small ports based on their socio-economic significance, anticipated cargo and traffic volumes as well as future development needs of the coastal region and the Country. Shimoni Port was among the small ports which had the highest Economic Viability, creating an opportunity for development in line with Vision 2030. | Oct 2024                 | 23%                        | Site studies: - ESIA, Bathymetric Surveys and Geotechnical Investigations done.<br>Building works are on-going. Marine works – Piles to arrive by end of August 2023. | Fastrack ongoing construction activities                          |

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| Project Name                                                         | Facilitation in KPA mandate delivery                                           | Alignment with National Government Strategic Objectives                                                                                                       | Expected Completion Date | Current Percent Completion | Key Achievements and Challenges                                                                                                                                           | Way Forward |
|----------------------------------------------------------------------|--------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|----------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|
| Removal of Asbestos Roofing and re-roofing with Aluminum Iron Sheets | Asbestos removal and re-roofing with non-corrosive and non-hazardous material. | To enhance the implementation of the Green Port Policy in line with the Governments initiative in ensuring a clean and healthy environment for its citizenry. | February 2025            | 15%                        | Removal of asbestos and re-roofing Gantry Workshop completed, solar plant design approved, and production commenced and excavations for underground water tank completed. |             |

